FRENCH FISCAL LEGISLATION

AN EXPLANATION
OF THE FRENCH FISCAL LAW
AND PRACTICE

Stephenson

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FRENCH FISCAL LEGISLATION

AN EXPLANATION
OF THE FRENCH FISCAL LAW
AND PRACTICE

SCHEDULE TAXES.
GENERAL INCOME TAX.
TAX ON TURNOVER.
DEATH DUTIES.

BY

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INTRODUCTION

In presenting this work, the object of the authors has been to give to the foreigner, residing in France or having financial or economic interests in France, a clear and simple outline of his fiscal liabilities, of the formalities that are required of him, and of the means of ensuring correct assessments and of amending incorrect ones. Technical language and theoretical discussion have, as far as possible, been avoided.

The present moment is a particularly suitable one for the publication of this work. The fiscal laws of France, which have continually changed since the war, now appear to have reached a comparatively settled state, and during the year 1926 they were codified. Any subsequent changes will, therefore, almost centainly be matters of detail and not matters of principle.

The growing economic relations between France and foreign countries increase daily the number of foreigners who are interested in French Taxation, and the recent heavy increases in the rates of tax have made their interest acute. The taxpayer may, of course, engage the services of a taxation expert, but the very limited number of people really qualified in this branch of the law makes this difficult, and it is hoped that the simple explanations and examples contained in this book, set out by the authors who deal daily with the application and interpretation of the law, will enable the layman to conduct, satisfactorily, his own taxation affairs.

During the year 1926, taxation in France yielded a total of fifty three and a half billions. Local rates and taxes, amounting to 5,402 millions are included in this figure, so that the Treasury received 48 billions, of which 6 billions are contributed by the Government

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Monopolies on tobacco, matches, gunpowder, and the General Post Office, 17 billions by the Schedule Taxes and General Income Tax, and 20 billions by the Turnover Tax and the Customs. This work deals with all the direct taxes, and no mention is made of the various customs duties.

A noticeable feature of the present French fiscal law is that the taxes are divided into two main groups.

1. The old taxes, *dating from the French Revolution or the period following the reign of Napoleon I.*

2. The new taxes *created during or after the war. These include General Income Tax* (1914), *the Schedule Tax* (1917) *and the Tax on Turnover* (1920).

These new taxes have brought the lay-man more and more into touch with the Tax Inspector (Contrôleur) and Collector (Percepteur). As in England, he is now compelled to do his part in the process of tax-gathering by rendering an annual return of income. If he omits to do this, the Contrôleur makes an estimated assessment. The Fiscal Authorities have power to demand copies of accounts and similar evidence, and they have also the right to inspect the books of a business at any reasonable time and without notice, a right on which their English confreres will probably cast covetous eyes.

Without exception, foreigners are not subject to any special regulations; generally speaking, they are liable to the same charges and entitled to the same reliefs as Frenchmen. For example, a taxpayer's title to exemption from income tax on French 4 % *loan* (1925) *is not affected by his nationality.*

However a distinction is made between a foreigner who is domiciled in France and one who is only resident. In order to alleviate to some extent the heavy double taxation, the latter is charged to General Income Tax under a "Limited Assessment", which is explained fully in a chapter dealing with this tax.

The general application of the Income Tax in France has produced the usual reactions. Various methods are adopted in order to expose

the most limited figures to taxation, and companies have been drawn up in such a way that they escape with the minimum of duties. Enormous numbers of private firms have been converted into limited liability companies, with a view to escaping, quite legally, large amounts in Income Tax, following the same method as was adopted in England for the purpose of escaping Super-Tax. Up to the present the legislation in France has not set up a counter-attack.

Owners of land and houses, manufacturers, bankers, lawyers, business-men, and employees will find explained in this book their fiscal obligations, the formalities required of them, the methods by which their liabilities may be calculated, the dates at which the payments are due and the manner in which they should be made.

The authors are greatly indebted to Mr. G. W. Cosgrove of the Income Tax Department, Lloyds and National Provincial Foreign Bank Ltd, Paris, and formerly, for ten years, of the British Income Tax Department, and to Mr. J. H. Foote, Deputy for the stead of the Legal Department of Lloyds and National Provincial Foreign Bank Ltd, Paris Office, who has for many years specialized in the translation of French and German laws and commentaires, for their valuable assistance. These gentlemen have been responsible for the rendering of this work into English which will be easily understood by the non-technical reader, and for the many comparisons between the French and the English methods of taxation which have been introduced to bring the descriptions more vividly to the reader's mind.

It is felt that a book of this kind has long been needed, and the authors hope that it will be welcomed as the "Guide to the English-speaking taxpayer in France".

CHAPTER I.

TAX ON INDUSTRIAL AND COMMERCIAL PROFITS

SECTION I.

Scope of the Tax.

The Tax is assessed on Profits and Gains arising from Trades, Manufactures and Businesses. This schedule includes all commercial and industrial enterprises : producing, manufacturing, transporting, buying, selling and in any manner dealing with merchandises or other articles of commerce (such as money)—and further, business services such as hotel and restaurant, amusements, travelling agencies, shipping—and all kinds of broker businesses.

The following are however excluded from this schedule :

1° Mining products (assessed under special schedule).

2° Sale of agricultural products by farmers (taxed under another schedule).

3° Professionnal services, such as dentistry, medicine, law and similar services included in the schedule dealing with Professions.

4° Artisans.

Gains and Profits are only assessable so far as they arise from Trades, Manufactures and Businesses carried on in France.

It is very difficult to define what constitutes a trade or business carried on in France. At the present time, the administrative interpretation of this question is the following :

a) Enterprises carried on abroad are not liable to tax, even when the place of management is in France ;

b) Enterprises having branches or agencies abroad are not liable to tax on the said branches or agencies, but only on gains and profits arising from transactions in France ;

c) Foreign concerns possessing branches or having buying agencies in France, are only chargeable on Gains and Profits realized by their establishments situated in France. In the case of buying agencies the Profits are calculated by estimated assessment according to the average percentage of Profits obtained by brokers firms acting in the same branch of business.

SECTION II.

Persons assessable.

Individuals and Societies of all kinds, either of persons (partnerships) or of capital (corporations, companies), are liable to tax.

In the case of a partnership (Société en nom collectif), each partner is charged separately on the basis of his share of profits, but all partners are jointly responsible for the entire payment.

In the case of "sleeping partnerships" (Sociétés en commandite simple), the sleeping partners, on the contrary, are not charged separately but jointly on the Profits appertaining to the commandite.

In the case of limited companies (Société anonyme, Société en commandite par actions, Société à responsabilité limitée) the tax is charged on the whole Profits.

SECTION III.

Taxable period or Fiscal year.

The Profits and Gains are annually computed on the basis of the taxpayer's accounting period—calendar year or business

year of 12 months—in accordance with the method employed in keeping the books of such taxpayer.

But where no accounts are made up or made up for more or less than a year, the period to be taken into account is not the business year, but the calendar year.

Thus, the taxable year means a period of 12 months and only at the beginning or end of the exploitation, the taxable year may be less than 12 months.

Example :

Business commenced on 1st July 1925, ended at the 30th April 1930.

	Taxable period	Year of assessment
1st Balance sheet- June 30,1926	July 1, 1925/June 30, 1926	1927
2nd „ „ June 30,1927	July 1, 1926/June 30, 1927	1928
3rd „ „ Dec. 31,1928	January 1, 1928/Dec. 31, 1928	1929
4th „ „ Dec. 31,1929	January 1, 1929/Dec. 31, 1929	1930
5th „ „ April 30,1930	January 1, 1930/April 30, 1930	1930

(1) Change in accounting period.

SECTION IV

Assessable Profits.

The question of what constitutes assessable Profits is very difficult because this term is not well defined by the law.

The Profits are constituted for commercial purposes by the excess of the total amount of gross receipts over the sum of the expenses laid out to earn them. When accounts are made up, the amount of Profits is given by the Profits and Loss Account or the Balance sheet.

But in respect of Income Tax, the figures are to be adjusted in accordance with the regulations, and decisions the fundamental rules of which are as follows :

I. Profits on sale of investments other than merchandise or articles forming the object of the trade or business, are not taxable.

Consequently Capital loss derived from the sale or exchange of investments are not deductible.

That rule is based on the decision of the Finance Minister of 15 Sept. 1925. But it is impossible to say if this decision will be followed by the Fiscal Authorities and confirmed by the "Conseil d'Etat". (1)

II. Expenses which are not laid out for the purpose of the trade or business are not deductible.

III. Interest on loans, bonds, dividends, directors' fees, rents and other income charged in virtue of any other schedule, are not to be taken into account in the calculation of the tax.

It was impossible for the law to go further into the matter. In practice, trade or business Profits must be determined having regard to the facts of the individual case.

However these fundamental principles are quite sufficient with the help of judicial and administrative interpretations to guide the taxpayer in the calculation of his Profits. The latter has to make the following adjustments taking into consideration the figures expressing the Gross Profit (A) and Expenses (B).

A.—Adjustments concerning the Gross Profits.

What is the meaning of Gross Profits business signification? In the case of manufacturing, merchandising business, Gross Profits mean the total sales minus the cost of goods sold and, further, any income arising from incidental or outside operations whatever the source may be. Usually the Gross Profits are given by the "Merchandise account" in the manner indicated in the following example :

(1) The present thesis of the Administration is that profits realized, *in the course of exploitation*, from assets other than goods, are taxable.

		Francs
Receipts (cash or otherwise) from sales minus discount or allowances	100.000	
Stock at end of year	40,000	140,000
Stock at beginning of year	60,000	
Merchandise bought, Labour and other Costs debited in Merchandise account	65,000	125,000
Balance		15,000
Other Gross Profits :		
—from agencies in Brussels, London	20,000	
—rents	3,000	23,000
Gross Profit		38,000

Concerning stock, there are no legal rules about the valuation. The taxpayer may use the method conforming itself to trade customs provided that it shows clearly the income and that this method is consistent from year to year.

There are three methods of valuation :

1° at cost or cost of production ;
2° at cost or market price, when lower, or,
3° at market value.

In general, Gross Profits, from a commercial point of view, embrace not only the income from trading but further gains from all other sources, such as rents, interests, dividends, profits from the sale of capital assets.

For purposes of assessment, however, this conception of "Gross Profits" requires modification. In accordance with the three fundamental rules mentioned above, following adjustments require to be made.

Deductions :

1° Profits derived from sources out of France (branches, agencies, etc.)
2° Income chargeable under other schedules ;
3° Capital receipts ;
4° Profits from realisation of any investment, sale or exchange, unless it forms part of the trade.

Deductions not allowed :

1° Deficit of the preceding year ;

2° Loss from realisation of investments, unless it forms part of the trade. For example, when stocks and shares are sold at a discount, the amount of the discount is not deductible from Gross Profits.

Concerning the preceding example, the Gross Profit is consequently 15,000 francs, in respect of assessment. For assessment purposes the income from Foreign Agencies being excluded under (1) above and the income from rents under (2).

B.—Adjustments concerning Expenses.

I.—*Business Expenses.*

We will consider first the ordinary business expenses. Among these we may mention as *deductible* :

—Management expenses : lighting, water, telephone, etc.

—Rent of premises used for business ;

—Salaries and other remunerations to employees provided they do not exceed a reasonable compensation for the services rendered ;

—Salaries paid to wife and children for services rendered (1) ;

—Pensions to retired employees or to their families ;

—Directors' fees (tantièmes) when non-taxable under schedule of interests and dividends ;

—Travelling expenses ;

—Insurance premiums against fire, theft and casualties of any kind ;

—Repairs of premises, utensils or supply, provided they do not increase the value or the useful life of the property ;

—Formation or preliminary expenses.

No deductions are allowed for :

—Personal and family expenses ;

—Partners' salaries ;

—Salaries or compensations for personal service ;

—Expenses of a capital nature, e.g. expenses of obtaining capital or improvements to premises.

(1) Decision of Conseil d'Etat.

II.—*Interest paid.*

Frequently the capital of the merchant is insufficient and he is obliged to borrow capital from others.

Interests on business indebtedness to others, interests on deposits, loans, bonds, obligations, etc. are deductible.

Not deductible :

—Interests paid to shareholders, and to partners ;
—Interests paid on the capital invested or advanced by the trader.

III.—*Taxes.*

Among the expenses which are deductible, there are taxes concerning the business, such as "Tax on Business Turnover" (taxe sur le chiffre d'affaires), Tax on industrial and commercial, Profits of the preceding year and the "Contribution des Patentes".

Not deductible :

The taxes which are not connected with the business, for example the Contribution Mobilière, the General Income Tax.

IV.—*Bad debts.*

When debts are worthless and uncollectible in all probability, the taxpayer is authorized to deduct their amount from the Gross Profits. When the worthlessness is not fully ascertained, the amount is put to special Reserve account (see further VI).

Bad debts subsequently collected are to be added to Profits of the year in which collected.

V.—*Depreciation of Assets.*

Business Assets whether tangible (building, machinery) or intangible (royalties, copyrights, designs, licences, drawings, patterns and models) are limited in duration and gradually approach the point where they have lost their utility.

Their depreciation results from exhaustion, wear and tear, obsolescence or is due to the normal progress of the arts. This term excludes any idea of a mere reduction in market value. It does not apply to the trading stock of merchandises.

To arrive at the sum representing the value of property an allowance to be based on the cost of property and its estimated useful life is deductible annually from Gross Profits.

The amount corresponding to the depreciation is deducted directly from the corresponding item of the Assets or credited to a depreciation Reserve.

VI.—*Reserves.*

In a broad sense, Reserves are parts of Profits set aside :

a) In view of expenses deferred ;
b) For presumable losses, such as doubtful debts ;
c) In view of a deferred distribution.

Only Reserves of categories *a* and *b* are deductible.

VII.—*Other items not deductible.*

—Losses not arising from the trade ;
—Reimbursement of Capital (Shares, Bonds, etc...) ;
—Charitable donations.

C.—Taxable Profits.

The Net Profit obtained by the difference between Gross Profits and Expenses, both accounts being adjusted as shown above, constitutes the basis of the taxation to which is applicable the rate of 15 *per cent.*

The adjustment concerning the items dividends or interest credited in account needs some supplementary explanation. Since the law of July 13, 1925, the adjustment is limited to the net dividend or interest, calculated as follows :

Example :

	Francs
Gross Profits (1)	100,000
Business expenses and charges	60,000
Balance	40,000
Gross Dividends and Bank Deposit Interest	10,000
Net Dividends and Interest : $10{,}000 - \left[60{,}000 \times \frac{10{,}000}{100{,}000} \right]$	6,000
Taxable Profits : 40,000—4,000 = ...	36,000

(1) Other than manufacturing expenses.

DEPARTMENT	TAX ON INDUSTRIAL AND COMMERCIAL PROFITS	District of .....
COMMUNE		DECLARATION received on .....
QUARTER	Year..... (Profits of the proceding year)	Receipt served on .....

DECLARATION

to be sent to the "Controller des Contributions Directes" on or before March 1st.—or on or before March 31st when taxable year is closed in December.

Name of the taxpayer .....

Kind of industry, business or trade .....

Principal place of business .....

Domicile of taxpayer, and in case of partnership, name and domicile of each partner .....

IF YOUR NET PROFIT exceeds Frs. : 50,000	NET PROFIT of the taxable year from..... to..... Frs: ...
Add either a summary of Gains & Loss Account or a mere Statement of Profits.	..... on..... 1927 Signature :
IF YOUR NET PROFIT does not exceed Frs. : 50,000	NET PROFIT of the taxable year from... 192 to... 192 Frs: ...
File Line A or B	A category from...frs.....to frs. B arriving exactly to ..... frs. ..... on..... 1927. Signature :

See Explanation on the other side.

This form is to be sent to the Controller of direct Taxes of the district where the management of the enterprise is located.

The "Controller" gives a receipt.

GENERAL INFORMATION

Articles 4, 9 *and* 10.

1° Taxable Profit is Net Profit, after deducting all charges of real estate of the enterprise and amortization in accordance with customs and kind of business or trade.

2° When the net profit *does not exceed* 50,000 Francs, it is sufficient to declare the category (from ..... to ..... Francs).

3° When the Net Profit exceeds 50,000 Francs, the taxpayer must join to his declaration a Summary of the Profit and Loss Account or a mere statement of Profits and present, on demand, books and accounting papers for the purpose of ascertaining the correctness of his declaration.

NET PROFIT					TAX TO BE PAID	
Frs.:	0	to Frs.:		800	Frs.:	22.50
,,	801	,,	,,	1,500	,,	45.00
,,	1,501	,,	,,	3,000	,,	150.00
,,	3,001	,,	,,	5,000	,,	300.00
,,	5,001	,,	,,	7,000	,,	750.00
,,	7,001	,,	,,	10,000	,,	1,050.00
,,	10,001	,,	,,	15,000	,,	1,500.00
,,	15,001	,,	,,	20,000	,,	2,250.00
,,	20,001	,,	,,	25,000	,,	3,000.00
,,	25,001	,,	,,	30,000	,,	3,750.00
,,	30,001	,,	,,	35,000	,,	4,500.00
,,	35,001	,,	,,	40,000	,,	5,250.00
,,	40,001	,,	,,	45,000	,,	6,000.00
,,	45,001	,,	,,	50,000	,,	6,750.00

This form is to be sent to the Controller of Direct Taxes of the district where the management of the enterprise is located.

The "Controller" gives a receipt.

SECTION V.

Exemptions.

The following enterprises are not liable to the tax :

Societies of mutual assistance and popular banks whose statutes and functions are recognized as conforming with the provisions of the law of March 13, 1917 ;

Societies for the erection of cheap homes ;

Bath establishments, Societies for workmen's gardens and Societies for real estate credit established and functioning conformably with the law of December 5, 1922 ;

Public offices for the erection of cheap homes ;

Co-operative societies and Union of co-operative societies of artisans fulfilling the condition required by the law of December 27, 1923 ;

Co-operative banks of workmen's societies of production under the control of the Ministers of Labor and Finance, capital of which can be purchased only by the said societies or by their members, and the loans and credits of which are consented only to those societies ;

Artisans.

SECTION VI.

Rates and Allowances.

Rates.—On the amount of taxable Profits calculated as above, a rate of 15 per cent is applicable whether an Individual Partnership or Corporation.

However, the taxable Profits not exceeding 50,000 Francs are charged as follows :

Where taxable Profits do not exceed		TAX	
800	Francs	22.50	Francs
1,500	„	45.00	„
3,000	„	150.00	„
5,000	„	300.00	„
7,000	„	750.00	„
10,000	„	1,050.00	„
15,000	„	1,500.00	„
20,000	„	2,250.00	„
25,000	„	3,000.00	„
30,000	„	3,750.00	„
35,000	„	4,500.00	„
40,000	„	5,250.00	„
45,000	„	6,000.00	„
50,000	„	6,750.00	„

Family allowances.—An allowance not exceeding 300 Francs for each child or parent supported by the taxpayer, is deducted from the tax payable.

SECTION VII.

Procedure of Assessment.

The Assessment is in the hands of the "Contrôleur of Direct Taxes" of the district in which the management of the enterprise is located.

This is the Officer who receives the taxpayer's declaration, examines it and determines the correct amount of the Tax. His address can be obtained from the Secretary's office at the Town-Hall (Mairie) and it is also to be found in the Post Office Directory (Didot Bottin).

Declaration.—For each taxable year, the taxpayer must make a statement of Net Profits and deliver it to the Contrôle before 1st March of the year following the taxable year. However, if the

business year is closed in the month of December, declaration is to be made before the 1st April.

When the Net Profit does not exceed 50.000 frs., the taxpayer may only show in his declaration the category (there are 14 categories, see Section VI) in which he should be placed for the computation of the tax.

This option is not granted to companies, which are subject to the right of inspection from the officials of the Enregistrement, such as Banks.

No extension of time for filing declaration is granted.

In the case of the closing of business (cessation) or change of ownership (cession), the declaration is to be made within ten days from the date of closing or change. If not possible within this period, "Controller" to be informed.

In the English System a return form is generally "served" on all persons considered liable to tax. The French System is different ; the declaration form must be obtained at the Town Hall (Mairie).

The taxpayer must join to the Declaration the Profit and Loss Account or simply a brief Statement of Profits.

The Declaration is to be made to the "Controller" for the district in which is located the place of the central management of the trade or business is located.

Examination of Declaration. — The "Controller" examines the declaration. For the purpose of ascertaining the accuracy of declarations, he may ask for particulars and require the taxpayer to appear before him. Further, he is empowered to inspect any books and other commercial accounts.

He has the right to rectify the declaration, but the taxpayer is to be notified by registered mail of any deficiency which appears to exist, in order that the latter may present his objections or agreement within a period of twenty days from the date of the letter or the date of the notification.

In the case of disagreement, the case may be referred at the request whether of the Contrôleur or of the taxpayer to the "Consultative Commission" which consists of five taxpayers.

Limit of Assessment. — The tax is ordinarily assessed and notified to taxpayers before July of the year of assessment.

In the case of complete or partial omission the "Controller" may make assessments, additional assessment or amended assessments after the end of the year of assessment.

Profits earned in the year.	1926
Assessment year	1927
Time limit of Assessment. . . .	December 31, 1932.

On closing of business or transfer of possession, the assessment is made immediately.

SECTION VIII

Penalties.

A penalty amounting to 25 per cent of the tax is incurred by failure to make within the prescribed time the declaration or to give particulars required by the "Contrôleur".

When the declaration or particulars contain inaccuracies made with intent to evade tax, an addition of 100 per cent of the tax corresponding to deficiency shall be collected provided that the insufficiency discovered is more than 10 per cent, or that it exceeds 20.000 francs.

Further, false statement with fradulent intention is punishable by fine from 1 Franc to 100,000 francs and imprisonment to five years. Before proceedings are taken, a notice is served on the taxpayer inviting him to observe the fixed regulations.

SECTION IX

Collection and Petitions.

These questions are treated for the Income Tax System in a separate chapter (see page 79).

SECTION X

APPENDIX I.

I. Shipping Companies. — By the law of 29th April 1926 Profits arising from freight realized by foreign agencies representing enterprises of navigation located in French ports are exempted from tax on Commercial and Industrial Profits on the condition that a reciprocal exemption is granted to French agencies in the foreign country concerned.

Exemptions are determined by diplomatic agreement.

II. Insurance Companies. — Insurance Companies and Companies dealing with reinsurance, capitalization or savings, are liable to the Tax on Industrial and Commercial Profits with specific provisions summarised as follows :

a) Assessable profit includes the business profits and other income arising from capital, real estate or personal estate, such as rents, dividends, interest on money, etc.

b) In case of deficit, the taxpayer may claim deduction of losses from the profits earned during the five following years.

c) Foreign Companies are taxable on actual profits or on average profits calculated as explained further.

d) The rate is 20% of the taxable profits.

Enterprises Assessable. — The tax is applicable to French or Foreign enterprises which operate insurance, reinsurance, capitalization or savings. In any case the Insurance companies are not authorised to recover this tax from their clients.

Taxable Income. — This is the Net Income of the fiscal year, that is to say Gross Profits minus expenses after legal adjustments.

Gross Profits include :

a) Operating revenue from operations realized in France, Algeria and French Colonies. Profits from transactions abroad by agencies established in a foreign country are not taxable.

b) All other incomes except those from sources outside France or from assets deposited abroad to secure operations in a foreign country.

Among the adjustments to be applied to expenses, a particular mention is made concerning the different reserves required by the law, mathematical reserve, security reserve, reserve for unexpired risks, reserves for outstanding losses. These obligatory reserves are deductible only within the limits appointed by the regulations.

Procedure of Assessment. — The taxpayer must make on or before May 31, a declaration of the Profits of the preceding fiscal year.

The Assessment Officer the Controller des Contributions Directes—receives the declaration, and verifies its correctness. He is empowered to rectify the declaration.

Foreign Companies.—They are taxable at their own option either on actual Profits by the same procedure as French Companies or on average Profits in connection with the amount of premiums received in France, Algeria and French Colonies.

In this case, taxable Profits are obtained by application of a percentage varying with the branch of insurance.

Declaration is to be made annually on or before May 31.

Lloyd (of London). — The declaration is to be made by each broker who is personally assessable on the amount of premiums received in France, Algeria or French Colonies.

APPENDIX II

TAXE SPÉCIALE SUR LE CHIFFRE D'AFFAIRES
(Special Tax based on the amount of the sales.)

In addition to the Tax on Industrial and Commercial Profits a Special Tax is levied when the total business receipts, *sales abroad* excluded, amount to more than one million francs in the calendar year.

Wholesalers are not assessable.

Since the law of July 31, 1925, the law applies not only to retail merchants and manufacturers but also to banks and insurance enterprises.

Declaration.—Assessable taxpayers must make a declaration showing the total amount of business receipts during the calendar year.

The declaration is to be sent to the Controller on or before January 31.

Calculation of the Tax.—The tax is calculated as follows :

Up to Frs : 1,000,000.—Free of tax.

1,20/1000 on the fraction of the business receipts between 1 to 2 millions.

2.40/1000	business	receipts	from	2	to	10	millions.
3.60/1000	„	„	„	10	„	100	„
4.80/1000	„	„	„	100	„	200	„
6.00/1000	„	„	„	over		200	„

Family allowances. From amount of the tax, allowances not to exceed 300 francs for each child or dependant are deducted.

Penalties.—Penalties are incurred by failure to make a declaration the tax being increased by 25%.

In case of fraudulent understatement increase of 100% in the tax corresponding to the deficiency.

CHAPTER II

PROPERTY SCHEDULE

SECTION I

General Scope of the Schedule.

The tax called "Impôt Foncier" charges the profits arising from real estate built or unbuilt (land or building).

It was levied long before the introduction of the Income Tax System into France. It has been incorporated in it without changing the rules of assessment, the most important of which is that the assessable income is based not on actual net profits but on average net profits (revenue net cadastral) as determined by periodical valuations every ten years (for the buildings) and every twenty years (for the land). Except in the case of structural alterations, additions or improvements, no increase can be made until the next valuation.

The next valuation will be made in 1930, meanwhile the former valuation has been increased by 75 % to arrive at the assessment.

Concerning the built property, a new valuation was made in 1925 and made effective for 1926. In respect of the unbuilt property, there has been no new valuation since 1910.

All properties (lands or buildings) are registered in books kept at the Town Hall (Mairie) in which each change of ownership is recorded. These books called "Matrices Cadastrales" are open to inspection by the taxpayers.

SECTION II

Persons assessable and Place of Assessment.

The tax is assessed on the owner. The tenant, even if under contract to pay, is not personally taxable.

Assessment takes place on the commune where the land or building is situated.

SECTION III

Assessable Property.

Built Property.—The law embraces in this category :

a) Buildings, houses, factories and work-shops ;

b) Fixtures, such as machinery, mills and other fixed working material ;

c) Pieces of ground used for industrial or commercial purposes ;

d) Waterfalls used for power, together with the relative machinery and equipment ;

e) Bathing establishment, mills and laundries on boats moored in rivers.

Unbuilt Property.—This category includes all pieces of ground except class (*c*) mentioned above, and those on which buildings are constructed.

Exemption.—Buildings and improvements are only taxable three years after the termination of the work.

Dwelling houses terminated before January 1, 1930 are exempt for fifteen years.

The so-called "Maisons à Bon Marché" (Cheap houses) are exempt for fifteen years, no matter when they are built.

SECTION IV

How the taxable Income is determined.

The taxable income (revenu net cadastral) is an average value (on ten years for building or twenty years for land). The valuation is based on the rent received during the period, or on the amount receivable if the property were let.

For repairs, maintenance and management, the following deductions are granted :

25 % buildings.
40 % factories, workshops and fixtures.
20 % land.

Constructions.—Structural additions or improvements subsequent to the last valuation, are assessed by comparison with the rental value of similar buildings.

SECTION V

Rates and Reductions.

The rate is 18 %, fixed by the Government. But the imposition attains a higher proportion because territorial divisions, departments and communes impose a variable surtax for their own budget.

In Paris, the proportion is 30 %.

Reductions.—A deduction is granted for every child under 21 years of age or infirm and every parent over 70 or infirm as follows :

For the First dependent . . . . . 5 %
For the Next Two dependents. . . . . 10 %
For each dependent over Three . . . . 10 %

subject to a maximum allowance of 300 frs.

Credits for Taxes.—In the case of mortgage, or assignment of the revenue of real estate for payment of a debt, the owner of the building is entitled to obtain a reduction of the tax computed in the manner explained by the following example :

	Frs.
Mortgage—200,000 francs 8 %.	16,000
Tax on interest at rate of 18 %.	2,880
Revenu net cadastral of the building	40,000
Property Schedule Tax (18 %) 40,000×18/100.	7,200
Credit to be deducted from the tax 7,200.	2,880
To be paid : 7,200—2,880.	4,320

To obtain the credit for tax a petition must be made to the Prefect, this petition being accompanied by the receipt for interest paid on the mortgage and proof that the tax of 18 % has been paid on the interest.

Unoccupied House. — Stopping of Mills, Factory. — Demolition.—In these cases the taxpayer has the right to obtain discharge or reduction of the property tax by way of a petition to the Prefect.

SECTION VI

Collections and Claims.

These questions are discussed in a separate chapter. (See Page 79.)

CHAPTER III

TAX ON AGRICULTURAL PROFITS

SECTION I

There is a marked resemblance between the Tax on Agricultural Profits in France and Schedule B of the Income Tax in England. In both countries the tax is chargeable on a conventional assessment based on the rental value and in both countries the farmer has the right to have his assessment reduced to the actual profit if that profit falls short of the normal assessment.

SECTION II

Assessable Income.

(1) *Conventional Basis.* Reference to the chapter on Property Tax will show that all lands are subject to a periodical valuation based on the average rental derived from the property during the preceeding years. This valuation known as the "Revenu cadastral" forms the basis for assessment to tax on agricultural profits. The process is as follows :

a) The "Revenu Cadastral", being a pre-war valuation, is increased by 75 %;

b) The amended rental value thus obtained is multiplied by 3 and the assessment is based on the result. Exception is made in the case of

1, Land under *wheat* cultivation during the previous year when the amended rental value is multiplied by 2 1/2 and

2, Industrial forests, nurseries, market gardens and floral or ornamental gardens when the amended rental value is multiplied by 5.

Example.

A farm has a rental value of 2 200 francs divisible as follows :

	Rental Value
Wheat Field	Frs. 1 200
Meadows	„ 300
Vineyards	„ 250
Industrial forests	„ 450

The assessment on the conventional basis is arrived at as follows :—

Wheat field	$1200 \times 2\frac{1}{2} =$	Frs.	3,000
Meadows	$300 \times 3 =$	„	900
Vineyards	$250 \times 3 =$	„	750
Industrial forest	$450 \times 5 =$	„	2,250
			6,900
Add 75 %	$= 6{,}900 \times {}^{75}/_{100} =$	„	5,175
	Assessment to Agricultural Profits Tax	Frs.	12,057

(2) *Actual Profit.* Upon production of proof, the farmer may claim to have the conventional assessment reduced to the actual profits of the preceeding year.

SECTION III

Rates of Tax.

Having arrived at the assessable value by one or the other of the bases described above the following scale of tax is applied :—

From 1 to 2,500 Francs	NIL
„ 2,501 to 4,000 „	3%
„ 4,001 to 8,000 „	6%
Above 8,001 Francs	12%

Thus, in the example quoted above, the duty payable would be :

1 to 2,500 francs	NIL
2,500 to 4,000=1,500 *à* 3%=	45.00
4,001 to 8,000=4,000 *à* 6%=	240.00
8,001 to 12,050=4,050 *à* 12%=	486.00
Total	771.00

Reduction for Dependent Relatives. The taxpayer is entitled to reduction of tax for dependent relatives (children or parents) in the same way as in the Tax on Commercial and Industrial Profits (see page 12).

SECTION IV

Persons Assessable and Place of Assessment.

The assessment is made on, and the tax is payable by the occupier of the land. In France it frequently happens that the owner allows a farmer to cultivate his land, and in return, takes an agreed proportion of the produce. In many cases the owner supplies all or a part of the stock and implements. In such cases the owner and the farmer are liable in proportion to their share of the produce. Where an owner lets several farms thus, he is only entitled to the reduced rates of tax once, his income from this source being assessed in one figure.

The assessment is made in the commune where the taxpayer has his principal residence on the first of January in the Year of Assessment, and is based on the lands cultivated by him during the preceding year.

SECTION V

Procedure of Assessment.

Upon each renewal or modification of the lease or the agreed proportion of the produce, the landlord is required to inform the controller of direct taxes in the commune in which the farm is situated, within three months, of the proportional share in the produce held by each of the parties.

Further, whatever be the nature of the lease, the owner is required, upon each renewal of the lease, to hand a statement to the controller of direct taxes within three months, indicating the kind of cultivation, the christian name and family name of the tenant (farmer or co-operative farmer) and the date of his arrival.

In the absence of a declaration in the preceding cases, the assessment is made in the name of the owner.

Declaration of the farmer.—When taxpayers intend to profit by the reduced coefficient (2,5 %) applicable to land devoted to the cultivation of wheat during the year prior to that of assessment, they are required to furnish, within the first two months of the assessment year a declaration of the area and of the rental-value (revenu cadastral) of that property.

Assessment by the controller.—With this information, the controller of direct taxes determines the agricultural profit and the amount of the tax. The amount of the tax is notified by post to the taxpayer. The latter is entitled to demand a reduction in the amount if he considers himself taxed on an income above his real net profit.

SECTION VI

Collection and Claims.

Payment must be made, and claims formulated in the same manner as in direct taxes (see page 79).

SCALE.

NET INCOME	SINGLE PERSON	TAXPAYER		
		with 1 Child	with 2 Children	with 3 Children
2,500 francs	,,	Frs. Cent.	Frs. Cent.	Frs. Cent.
3,000 ,,	15 francs	14,25	13,50	12,75
4,000 ,,	45 ,,	42,75	40,50	38,25
5,000 ,,	105 ,,	99,75	94,50	89,25
6,000 ,,	165 ,,	156,75	148,50	140,25
7,000 ,,	225 ,,	213,75	202,50	191,25
8,000 ,,	285 ,,	270,75	256,50	242,25
9,000 ,,	405 ,,	384,75	364,50	344,25
10,000 ,,	525 ,,	498,75	472,50	446,25
12,000 ,,	765 ,,	726,75	688,50	650,25
14,000 ,,	1,005 ,,	954,75	904,50	854,25
16.000 ,,	1,245 ,,	1,182,75	1,120.50	1,058.25
18,000 ,,	1,485 ,,	1,410.75	1,336.50	1,262.25
20,000 ,,	1,725 ,,	1,638.75	1,552.50	1,466.25
30,000 ,,	2,925 ,,	2,778.75	2,632.50	2,486.25
50,000 ,,	5,325 ,,	5,058.75	4,792.50	4,526.25

CHAPTER IV

TAX ON PUBLIC AND PRIVATE SALARIES, INDEMNITIES AND EMOLUMENTS, WAGES, PENSIONS, AND LIFE ANNUITIES.

SECTION I.

Incomes liable to the tax.

This schedule embraces all remuneration derived from public and private employment, such as salaries, wages, emoluments, stipends, fees or other compensation for services rendered to employers, and, *life annuities and pensions*—whether paid in money or in kind (lodging, lighting, food, etc...). Further, the following types of worker are assessed under this schedule.

1) Persons working at home, whether by hand or with the aid of motor power, whether or not the working tools belong to them, when they work exclusively on behalf of manufacturers or merchants, with raw material furnished by the latter and when they do not employ a worker other than their wife, father and mother, their children and grand children living with them, one apprentice less than sixteen years of age, and one journeyman ;

2) Artisans working at home or outside who devoted themselves chiefly to the sale of the product of their own work and who do not employ workers other than the persons mentioned in the preceding paragraph ;

3) The widow of a workman or artisan working under the conditions mentioned in paragraph 1 and 2 above when she continues the trade previously carried on by her husband.

The provisions in paragraphs 1, 2 and 3 above are applicable to all the cases mentioned, no distinction being made as to whether the workman, craftsman or artisan works by himself or in an association or community of interests, with the persons whose labour is allowed ;

4) Persons who themselves, and for their own profit sell on the streets, or markets, merchandise of small value or perishable provisions, provided these persons have administrative authorization and provided the merchandise for sale is transported in a manner othen than by motor-car or horsedriven wagon ;

5) Bargemen owning a single boat which they run themselves ;

6) Motor and cab owners, owning one or two carriages which they drive themselves, provided those two carriages are not put into service at the same time, provided they do not have room for more than four persons, and provided the conditions of transport conform to the regulation tariff ;

7) Fishermen devoting themselves personally to fishing.

SECTION II.

Persons assessable and Place of assessment.

Persons.—The assessment is made in the name of the recipient of the taxable remuneration. When husband, wife and children receive salaries or pensions, the tax is imposed not on the head of the family for the total amount, but separately on every recipient : husband, wife or child.

Persons free of tax.—There are two cases of exemption :

1) When the remuneration received during the year does not exceed 7,000 francs ;

2) When the recipient is an ambassador, minister or consul accredited in France.

Place of assessment.— The tax is due in the commune in which the taxpayer has his residence on January 1st of the assessment year.

Non-residents are not taxable. Consequently, if the taxpayer before this date has left France, no tax is imposed.

SECTION III.

Basis of the tax.

The assessment is made on the income received during the preceding year.

Deductions are allowed for expenses uncurred in the performance of services : travelling, uniforms, meals when taken out, and schedule tax paid during the preceding year. Entertaining expenses for managers or sub-managers of important firms are also deducted from the amount of the income provided the taxpayer produces the necessary evidence.

Pensions paid to victims of the war as well as allowances to large families (family allowances) are exempt from the tax.

Concerning dismissal indemnities, a decision of the Conseil d'Etat (Nov. 6, 1925) pronounces against the imposition of the total, but that part of the dismissal indemnity which can be considered as a salary is taxable.

SECTION IV.

Calculation of the tax.

The net income is not entirely taxable. The law grants a general abatement of 7,000 francs. This abatement is supplemented by family deductions : 3,000 francs for the wife, if the latter has neither salary nor personal income ; 3,000 francs for each

child less than 18 years of age and not earning a salary (2,000 for a child from 18 to 21 years of age, or over 21 years when an invalid), and 2,000 francs for each dependent over 70 years of age or under 70 years and an invalid.

The following example is given to illustrate the calculation :

Taxpayer married with family dependents.

Gross salary received or credited in 1926		60,000 Frs.
50,000 in money		
10,000 in kind		
Costs : travelling expenses, etc.		5,000
Net salary.		55,000 Frs.
Deductions :		
General abatement	7,000	
Wife.	3,000	
1 child under 18 years of age.	3,000	
2 children under 21 years of age . . .	4,000	
1 child over 21 years of age and invalid.	2,000	
1 parent or parent in law over 70 years of age	2,000	
1 parent or parent in law under 70 years and invalid.	2,000	
	23,000	23,000
Taxable salary :		32,000 Frs.

The following are considered to be dependent on the taxpayer :

1) His *ascendants* if over 70 years of age, or, if invalid, of any age.

2) A *widow* living under the same roof as her son or daughter, if she is over 60 years of age.

3) *Descendants* of all degrees if less than 21 years of age, or, if invalid, of any age.

Not all foreigners are entitled to these deductions. This depends if their own country grants the same advantages to French people. British and American by virtue of reciprocity are allowed these deductions.

Rate.—The rate is 12 % of the net income. The percentage is however, reduced to :

3 % for the first 3,000 francs ;
6 % for the following 10,000 ;
9 % for the following 20,000.

Tax to be paid for a salary of 50,000 francs :

7,000+3,000+10,000+20,000+10,000=50,000 Frs.
„ 3% 6% 9% 12%
„ 90 + 600 + 1,800 + 1,200 = 3,690 Frs.

Reductions for family charges.—From the amount of the tax so calculated, each tax payer is entitled to a percentage reduction for family charges (children or parents) in the same manner as in the tax on commercial and industrial profits (see page 12).

SECTION V.

Procedure of assessment.

The tax is not levied at the source, but is collected by way of assessment.

The procedure of assessment is in the hands of the Controller of direct taxes.

He receives, examines, and may rectify the declaration sent to him by the tax payer during the first two months of the calendar year. No special form is prescribed. The taxpayer uses the form employed for the declaration relative to the General Income Tax, in which he has to indicate *on page* 2 the figures of gross salary, expenses, and net salary.

In order to avoid any discussion with the controller, the taxpayer is advised to add to the printed form a slip of paper on which he claims his expenses, as down in the following example.

Gross salary		25,000
Deductions :		
Travelling expenses	300	
Entertainment expenses, if any.	1,000	2,300
Allowance by employer for family	1,000	
Net salary:		22,700

This net salary (indicated in a special column of the declaration), is the amount taxable.

For the purpose of ascertaining the exactitude of declaration, the Controller has at his disposal information which must be furnished by every employer.

Declaration of employers.—Every employer making payments to managing directors, managers, clerks, workers, or employees is required to give each year to the Controller of direct taxes a statement showing the names and addresses of persons he has employed during the preceding year, the amount of the remunerations of all kinds given to each recipient, and the period to which these payments apply, if it is less than a year but more than thirty consecutive days. When the amount of the salary paid is less than the minimum taxable (7,000 Frs.) the employer need make no declaration.

The statement is to be sent during the month of January to the Controller of direct taxes.

Each omission or inaccuracy in the formation is liable to a fine of 100 francs, imposed by the prefecture council and collected by the Collector of direct taxes.

Heads of enterprises are required to declare under the same conditions the amount of commissions, brokerage or other remuneration which they pay in the exercise of their business to brokers, commission agents or other commercial agents who do not have the quality of salaried persons, as well as the amount of fees, daily payments or other remuneration likely to enter into the account

for the determination of the tax on non-commercial professions, when the total gross amount paid to any person during the year, reaches the sum of 1.000 francs.

All private individuals and all companies or associations paying pensions or life annuities are required to give the information concerning the holders of these pensions or life annuities when they exceed 1,250 francs.

FORM.

to be used by the employer.

Salaries, Wages, etc... paid during the year.....
by.....
Place of Management.....

Names, christian names and addresses of the recipients	Kind of Employ	Remunerations			Period to which payments apply when less than a year
		in money	in kind	for expenses	

SECTION VI.

Collection and claims.

Payment is to be made and claims to be formulated in the same manner as in General Income Tax (see page 79).

SCALE.

Taxable Net Income Minus deductions for family charges	Single person or widower or widow	Married	Married	
			With 1 child or parent	With 2 children or parents
Francs	Francs	Francs	Francs	Francs
7,000	,,	,,	,,	,,
8,000	30	,,	,,	,,
10,000	90	,,	,,	,,
12,000	210	60	,,	,,
14,000	330	150	28.50	,,
16,000	450	270	85.50	,,
18,000	570	390	199.50	54
20,000	690	510	313.50	135
22,000	870	630	422.50	243
24,000	1,050	780	541.50	351
28,000	1,410	1,140	826.50	567
30,000	1,590	1,320	997.50	702
40,000	2,490	2,220	1,852.50	1,512
50,000	3,690	3,330	2,821.50	2,349
80,000	7,200	6,930	6,270.00	5,610
100,000	9,690	9,330	8,670.00	8,010
200,000	21,690	21,330	20,670.00	20,010

SCALE.

Taxable Net Income Minus deductions for family charges	Single person or widower or widow	Taxpayer		
		With one dependent person	With two dependent persons	With three dependent persons
Francs	Francs	Francs	Francs	Francs
7,000	,,	,,	,,	,,
10,000	90	85.50	81.00	76.00
15,000	390	370.50	351.00	331.00
20,000	690	655.50	621.00	586.50
25,000	1,140	1,083.00	1,026.00	969.00
30,000	1,590	1,510.50	1,431.00	1,351.50
35,000	2,040	1,938.00	1,836.00	1,734.00
40,000	2,490	2,365.50	2,241.00	2,116.50
50,000	3,690	3,505.50	3,321.00	3,136.50
60,000	4,890	4,645.50	4,401.00	4,156.50
80,000	7,200	6,990.00	6,690.00	6,390.00
100,000	9,690	9,390.00	9,890.00	8,790.00
150,000	15,690	15,390.00	15,090.00	14,790.00
200,000	21,690	21,390.00	21,090.00	20,790.00
300,000	33,690	33,390.00	33,090.00	32,790.00
500,000	57,690	57,390.00	57,090.00	56,790.00

CHAPTER V

TAX ON NON-COMMERCIAL PROFITS.

SECTION I.

Profits liable to the tax.

This tax, the most comprehensive of the income taxes, includes incomes arising from *liberal professions*, and further all profits which are not chargeable under any other scheduled taxes.

Architects, publicists, barristers-at-law, dentists, physicians, painters, singers, actors, authors, etc. are subject to this tax.

Sums paid by a publisher to the heirs of author for the privilege of publishing and selling his book, the rent for the use of hunting or shooting grounds, are considered as non-commercial profits.

To decide the nature of an income for the purpose of taxation is very difficult in some cases. Concerning Agents dealing in business occupations, the administration distinguishes between three categories : Brokers and Commission — agents are chargeable under the tax on Commercial and Industrial Profits ; Commercial Travellers — under the tax on Salaries ; Agents not to be considered as Brokers, Commission Agents or Commercial Travellers are taxable in the Schedule of Non-Commercial Profits.

SECTION II.

Persons Assessable.

The tax is levied on all persons—legal or physical—who carry on a liberal profession and receive a taxable income.

In the case of a partnership, every working partner is separately taxable. The sleeping partners are taxable as a whole on their total share.

SECTION III.

Assessable Income—Place of Assessment.

The taxable income is the excess of total receipts over the expenses incurred in earning them, such as rent, lighting, travelling expenses, salaries to employees, etc.

The tax is assessed in the place where the taxpayer carries on the liberal profession or, when necessary, in the place of the principal establishment.

SECTION IV.

Calculation of the Tax.

The tax applies to the net income earned or received in the year preceding that of Assessment.

It applies only to the part of the net income which exceeds Frs. : 7,000. The rate is fixed at 12 % of the net income, the same as for the tax on Salaries and Pensions. The rate is reducted to :—

3% for the first taxable 3,000 Francs.
6% for the following 10,000 Francs.
9% „ „ „ 20,000 „

Example.

A Commission Agent earned in 1926 a net income of Frs. : 60,000. The tax to be levied in 1927 amounts to Frs. : 4,890 calculated as follows :

	1 — Frs. : 7,000.	free of tax.	
Frs. :	7,000 — 10,000 francs . . .	3% × 3,000 —	90 Frs.
,,	10,000 — 20,000 ,, . . .	6% × 10,000 —	600 ,,
,,	20,000 — 40,000 ,, . . .	9% × 20,000 —	1,800 ,,
,,	40,000 — 60,000 ,, . . .	12% × 20,000 —	2,400 ,,
			4,890 ,,

Reductions for family dependents :—On the amount of the tax, each taxpayer is entitled to a reduction computed in the same manner as for all the Schedule taxes (See page 43).

"Charges and Offices" :—For the so-called "Charges and Offices" (notaries, huissiers, etc.), the holders of which are authorised by government, the tax is computed under the conditions and according to the rate fixed for the tax on Commercial and Industrial Profits.

SECTION V.

Procedure of Assessment.

Declaration.—Every taxable person is required to produce, within the first two months of each year, a declaration stating the amount of the gross receipts, the amount of professional expenses and the amount of the net income during the preceding year.

The declaration is to be sent to the Controller of Taxes of the commune in which the taxpayer carries on the profession or has his principal establishment.

A receipt will be given.

Absence of declaration.—In case of neglect to make the declaration within twenty days from the date of a special intimation by the Controller, the taxpayer is imposed by means of an estimated Assessment, with an increase of 50 % of the amount of the tax.

The taxpayer, however, has the right to contest the imposition by means of a claim before the Administrative Jurisdiction.

Verification of declaration.—The Controller is empowered to require the taxpayer to produce all information likely to prove the exactitude of the figures declared. If he considers the particulars insufficient, he determines the basis of assessment and notifies the taxpayer by registered letter of the figure which he proposes to substitute for that of the declaration, indicating the grounds which appear to him to justify the change ; he invites the taxpayer at the same time to present, if necessary, written or verbal objections within twenty days.

If agreement is not reached, the case must be referred to a Consultative commission sitting in the chief town of each department.

Consultative Commission.—The commission is formed by the following members, who are subject to the obligations of secrecy.

The President of the Civil Court of the Chief town, or a member of the same Court appointed by him, President.

A Barrister appointed by the heads of the bar (bâtonniers) of the department or, if there is no bar, a solicitor appointed by the presidents of the disciplinary chambers of the department.

A Notary appointed by the presidents of the disciplinary chambers.

A physician appointed by the medical syndicates of the department, or, failing this, by the Prefect.

In case the taxpayer does not belong to any of the above mentioned professions, he will have the right to demand the presence in the Consultative Commission of a representative of the syndicates or associations of which he is a member This representative is appointed by these associations or, failing this, by the Prefect.

An inspector of direct taxes fulfils the duties of Secretary,-reporter with right of vote.

Several Consultative commissions may be formed in the same department.

The Commission which assembles at the request of the Director of direct taxes, invites the taxpayer ten days before the meeting to present his written or verbal objections.

After examining the grounds and objections presented by the Administration and by the taxpayer, the commission formulates, in writing, its opinion stating the amount of the taxable profits which it thinks should be attributed to the taxpayer.

The commission's opinion is communicated to the taxpayer by the Controller, who informs him at the same time of the figure at which he intends to tax him. If this amount conforms with the estimate of the commission, the taxpayer can only obtain reduction by means of a claim to the Prefect on furnishing proof of the exact amount of his profits. In the contrary case, when the amount claimed by the Controller is higher than the figure given by the commission, the burden of the proof before the jurisdiction (Conseil de Préfecture) rests upon the administration.

Penalty in case of insufficient declaration.—The taxpayer who has declared an insufficient income is required, unless he give proof of good faith, to pay, in a addition to the tax, a sum equal to four times the part of the tax corresponding to the undeclared income.

The penalty, however, does not apply if the undeclared income is not more than one-tenth of the taxable income or does not exceed 20,000 francs.

SECTION VI.

Collection and claims.

Payment is to be made and claims to be formulated in the same manner as in direct taxes. (See page 79)

SCALE

Net Income	Single person or Widower or Widow	TAXPAYER		
		With one dependent person	With two dependent persons	With three dependent persons
Francs	Francs	Francs	Francs	Francs
7,000	-	-	-	-
10,000	90	85.50	81	76.00
15,000	390	370.50	351	331.50
20,000	690	655.50	621	586.50
25,000	1,140	1,083.00	1,026	969.00
30,000	1,590	1,510.50	1,431	1,351.50
35,000	2,040	1,938.00	1,836	1,734.00
40,000	2,490	2,365.50	2,241	2,116.50
50,000	3,690	3,505.50	3,321	3,136.50
60,000	4,890	4,645.50	4,401	4,156.50
80,000	7,290	6,990.00	6,690	6,390.00
100,000	9,690	9,390.00	9,890	8,790.00
150,000	15,690	15,390.00	15,090	14,790.00
200,000	21,690	21,390.00	21,090	20,790.00
300,000	33,690	33,390.00	33,090	32,790.00
500,000	57,690	57,390.00	57,090	56,790.00

CHAPTER VI

PROFITS ON THE EXPLOITATION OF MINES.

The profits realized by the exploitation of mines and mining concerns are not liable to tax on industrial and commercial profits, since these undertakings are not considered as commercial. Similarly mining exploitations are not subject to the Patent Tax. They are, however, liable to two taxes which together constitute the liabilites of such concerns.

1. **The fixed duty :**

An annual duty based on the extent of the undertaking, which is at present of one franc per hectare of surplus.

2. **Proportional duty :**

This duty is applicable to the profits arising from the sale of raw material, or material transformed by operations consecutive and accessory to the extraction. The rate of the tax is 25% on the net proceeds of the exploitation. Of this tax 20% are required by the state and 5% by the Communes.

For mining companies, however, whose capital is divided into shares, the net proceeds on which the tax is based is considered as being equal to the amount of dividends distributed. At the same time mining concerns are exempted from the tax, namely :

1. Concessions chists operated with a view to obtaining liquid fuel in order to replace petroleum, which is lacking in France.

2. Concessions of lignite mines as far as that part of their production treated or consumed in the distilling factories is concerned.

CHAPTER VII

GENERAL PROVISIONS APPLYING TO SCHEDULED TAXES

SECTION I.

Assessment of Taxpayer's earning incomes from different sources.

Tax-payers having at the same time income derived from public and private salaries, indemnities and emoluments, wages and life annuities, and, on the other hand, non commercial profits other than the profits of "charges" and offices, are assessed for the whole of this income determined according to the method which is proper to each category in accordance with the rules applicable to the tax on salaries, wages, pensions and life annuities.

SECTION II.

Reduction of tax for family dependents.

On the scheduled taxes other than the tax on income derived from stocks shares and securities, claims, deposits and guarantees, the tax-payer is entitled to a reduction calculated as follows :

1. For each tax-payer whose total net income, after deducting family allowances (for wife and dependents) when necessary, does not exceed 10,000 francs :

7,50% for each person dependent upon him up to the second;
15% for each other person from the third inclusive.

2. For each tax-payer whose total net income, as defined above, is more than 10,000 francs :

5% for each of the first three dependents,
10% for each other dependent from the fourth.

The maximum amount allowed is Frs. : 300 per dependent.

To obtain the benefit of the reductions, taxpayers must send a declaration before the 1st March to the Controller of Direct taxes, showing the names, date and place of birth of each of the persons dependant upon him, as well as particulars (relationship to the head of family, incapacity, etc.) of a nature to prove that these persons are to be considered as dependents in accordance with the law.

SECTION III.

Deduction of Interest on debts.

A tax-payer whose property is assigned in guarantee of a debt (mortgage, privilege) has the right to obtain, upon demand, a reduction of the property schedule (See page 21).

The request must be produced within three months from the date of the payment of the interest and be supported by the receipt or other written discharge duly provided with adhesive stamps required in accordance with the rules governing the tax on claims, deposits and cash guarantees (See page 134).

With regard to unsecured debts, the tax-payer is entitled to obtain, upon demand, a deduction from his income other than that arising from movable capital (valeurs mobilières).

The deduction is firstly to be taken into account in the calculation of the taxable income arising from the source for which the debt has been contracted. The deduction is thus attributed successively to the incomes of the categories taxed at the lowest rate.

SECTION IV.

Time limit for assessment.

Total or partial omissions discovered in the assessment of any one of the scheduled taxes can be rectified up to the fifth year following that during which the assessment should have been made.

CHAPTER VIII

GENERAL INCOME TAX

SECTION I

Persons Assessable.—Aliens.

In addition to the Schedule taxes, a General Income Tax is levied annually upon the whole net income of every individual having an habitual residence in France, whether French or a Foreigner.

Non-resident aliens are not liable to general income tax. For example, a British subject residing in London and receiving income such as rents, dividends, business profits or fees from sources situated in France is only subject to the Schedule taxes.

But, on the other hand, a Foreigner having an habitual residence is liable to the general income tax even when his income arises wholly from sources outside France.

It should be noted that the general income tax does not apply to Partnerships, Companies or Corporations.

The degree of liability to the general income tax depends on whether the resident individual is domicilied or not in France.

In the first case, the taxpayer is charged on his entire income (full taxpayer). In the second case, the tax applies only to a part of his income (partial taxpayer).

According to above, it is seen that "habitual residence" and "domicile" constitute the fundamental conditions of the tax.

Legal domicile of Foreigners.

Only Foreigners who have obtained a special decree from the Government are considered as legally domiciled in France.

Habitual residence.—This condition is fulfilled:

a) By a person having a dwelling at his disposal, either as owner, beneficial occupier, or as tenant, but on condition that the agreement is for a period of at least one year or for a series of periods totalling to a minimum of one year.

b) By persons who, though not having a dwelling in France, reside there "mainly", even when staying in hotels, boarding-houses or furnished apartments.

Example:

I.—A British subject residing in London who, by purchase, inheritance or otherwise has a villa on the Riviera which he maintains as a residence.

II.—A citizen of the United States comes to France with the intention of staying a few months. He rents a suite of rooms in Paris for 12 months.

III.—An Indian arrives in France with the intention of staying an indefinite but considerable time, and lives in hotels, sometimes in Paris, sometimes in the country.

IV. A citizen of London is established in Lyons where he has for several years carried on a business in silk. He lives in this town with his family.

In these cases, the conditions of habitual residence are fulfilled.

Further in the case No. IV, the resident having his domicile in France, is considered as a full taxpayer. He is assessable on the entire income arising from sources in or out of France.

Taxpayers I and II who have no domicile in France are taxable on a "legal" income called "revenu forfaitaire" to be calculated on seven times the rental value of the dwelling; for example, on 70,000 francs if the rental value amounts to 10,000 francs per annum.

However in the case where a non domicilied person receives from sources stiuated in France an income superior to the "Legal Income", the general income tax is established on the income actually received.

Concerning the example III, the Treasury has raised the question of "*domicile de facto*". The Treasury considers that even if the taxpayer *has a legal domicile* in India, he may be taxed as a full taxpayer if he has a domicile de facto in France. In practice, the Treasury has to prove domicile—a difficult matter. This question has come before the Conseil d'Etat, which is the final legal authority, but this decision has not yet been published. The question therefore, remains undecided at present.

The list given below explains the position and the liability of the various types of taxpayer.

Non Residents	Residents		
	Domiciled		Non domiciled
	Legal	De facto	
Exempt	Taxable as a full taxpayer	Taxable as a full (?) taxpayer	Taxable as a partial taxpayer

Aliens free of Tax.—It follows that aliens who are in France for the purpose of occasional residence only are non resident from the point of view of general income tax, and are therefore exempt.

Further, Ambassadors, Ministers accredited to France and Consuls from Foreign nations are exempt from the general income tax, in so far as the countries which they represent grant a similar privilege to French diplomatic and consular agents.

Loss of Residence.—On departure abroad or on the giving up of the dwelling, there is loss of residence. If the event occurs before January 1st of the year of assessment no tax is imposed.

For example, the Taxpayers' List for year of Assessment 1927 does not include resident aliens who have returned in 1926 to their domicile abroad or who died before January 1st 1927.

Head of Family.—Members of the same family living together are not separately assessable. The head of the family is taxable for the income of the whole family. The taxpayer can however claim separate assessment :

1° For his wife if not living with him and legally separated (séparée de biens) ;

2° For his children or other members of the family when possessing own income or earning income from their own work.

SECTION II.

Taxable Income.

With regard to *partial taxpayers* (persons not domiciled in France), the taxable income is fixed by law at a sum equal to seven times the rental value of the dwelling or dwellings which the resident has at his disposal in France (legal income).

For example in the case of a dwelling rent at 10.000 francs, the taxable income is taken as $10.000 \times 7 = 70.000$ francs. If the incomes derived by the taxpayer from properties, enterprises, occupations or professions situated or carried on in France, reach ahigher total, this last amount serves as a basis for the tax.

The *full taxpayer* (person domiciled in France) is taxable according to the total amount of the net annual income, even when the income received has already been taxed in the country where the income arises.

Foreign incomes are converted in francs at the exchange rate ruling on the day of receipt.

Concerning French incomes, the taxable income corresponding to the various sources is determined each year on the basis of the amount received in the preceding year.

From the total sum of foreign and French income, general charges, such as debts, personal taxes and losses incurred in any foreign or French branch of income are deducted.

Explanations on the matter are given in the form to be used by the taxpayer (see further).

SECTION III.

Place of Assessment.

If the taxpayer has only one residence, the tax is assessed in the commune of his residence. If the taxpayer has several residences, he is taxable in the commune where he is known to have his principal establishment.

SECTION IV.

Personal and Family Allowances.

A general abatement of 7,000 francs from the net income is granted to each taxpayer, to which are added the following family allowances :

a) For his *wife*, living with him. . . . . 3000 Francs.
(The same deduction is granted, in case of death of one of the married couple, to the surviving, husband or wife, who has one or several dependent children by the first marriage.)

b) For his *children*, legitimate, illegitimate or adopted :

1. Under 21 years of age, for each child. . . 3000 Francs.
2. Over 21 years of age if incapacitated, for each child. . . . . 2000 Francs.

c) For any relative whom the taxpayer maintains at his own expense, and who is entirely dependant upon him :

1. Over 70 years of age or incapacitated, for each. . . . . 2000 Francs.
2. Over 60 years of age in the case of the mother or mother in law (widow)living with the taxpayer . . . . . 2000 Francs.

SECTION V.

Calculation of the Tax.

The rate is progressive and determined by the amount of the assessable income after deducting family allowances (see section IV).

Up to 7.000 Francs.	Free of tax.
On each hundred francs :	Frs. Cent.
Between 7.000 and 20.000 Francs.	1,20
„ 20.000 „ 30.000 „	2,40
„ 30.000 „ 40.000 „	3,60
„ 40.000 „ 150.000 „	4,80
„ 50.000 „ 60.000 „	6,00
„ 60.000 „ 70.000 „	7,20
„ 70.000 „ 80.000 „	8,40
„ 80.000 „ 90.000 „	9,60
„ 90.000 „ 100.000 „	10,80
„ 100.000 „ 125.000 „	12.00

and so forth, increasing by 1 franc 20 centimes every succeeding 25.000 francs up to 400.000 and for each 50.000 up to 550.000. The portion over 550.000 francs is taxed at the full rate (30 %).

Reductions.—On the tax calculated as explained above, the taxpayer is entitled to reductions for family charges according to the following rules :

1. Each taxpayer whose net total income, less family allowances, is not over 10.000 francs, has the right to a tax reduction of 7,50 % for each person up to the second whom he maintains at his own expense, of 15 % for each of the other persons from the third.

2. Each taxpayer whose income, less family allowances is more than 10.000 francs, has a right to a tax reduction of 5 % for each of the first three persons maintained to his own expense, and 10 % for each of the other persons from the fourth, without, however, the total amount of his reduction exceeding 2.000 francs per person.

Additions.—The amount of the tax is increased by 25 % on taxpayers of more than thirty years of age, who are bachelors or divorced, and who, having no child, maintain nobody at their own expense.

The same amount is increased by 10 % when the taxpayer is over thirty years, married two years on January 1st of the year of assessment and on this date has no children and no person maintained at his own expense.

These additions (25 % or 10 %) are not applicable to taxpayers holding a pension provided for by the law of March 31, 1919, nor taxpayers whose children are all dead.

SECTION VI.

Declarations.

Each taxpayer is required to make each year, under oath, a declaration indicating the different incomes received, or credited to him during the year preceding the year of assessment.

He must indicate in this declaration the amount and the nature of the debts and losses which he has subtracted from his total income, in order to be entitled to the benefit of the subtraction.

He gives in this declaration all necessary particulars in order to obtain family allowances.

The declaration will indicate clearly the amount of income, of whatever nature and whether arising in France or abroad.

The taxpayer uses a printed form which is not served to him but is to be obtained at the Town-Hall.

The "partial taxpayer" is required to file a declaration only if his French income (coming from French sources) is greater than 7 times the rental value of his residence. Other wise, he has no return to make. But it is more advantageous to him to make a declaration showing the rent of his residence because in this case the onus of proof is on the income tax authorities should the latter consider that the taxpayer is not a "partial" but a "full" taxpayer.

Verification.—The Controller verifies the declaration. He may ask for particulars. He has the right to rectify the declaration, but the taxpayer is to be notified by registered post of any rectification in order that the latter may present his objections or agreement within a period of 20 days from the date of the notification.

Estimated Assessment.—When the taxpayer fails to make his declaration within the prescribed time limit, or neglects to answer the questions of the assessment officer, the Controller is empowered to make an assessment of the general income tax according to the best of this judgement (taxation d'office : estimated assessment). In case of appeal, the onus is on the taxpayer to prove that the assessment is excessive.

Limit of Assessment.—In the case of complete or partial omission, an assessment may take place within five years from the end of the year of normal assessment. Example :

Taxable year : 1927.
Normal assessment year : 1928.
Limit of assessment : December 31st 1933.

If the taxpayer is deceased, the limit of assessment is extended by two years after the declaration of inheritance.

Penalties.—By failure to make the declaration, a penalty amounting to 25 % of the tax is incurred.

When the declaration is deficient, an addition of 25 % of the tax corresponding to deficiency shall be collected. In case of false statement with fraudulent intention the increase imposed amounts to 400 % of the tax. Further, the taxpayer is liable to a fine of from 1 to 100.000 francs and maximum imprisonment of 5 years. Before procedings are taken, a notice is served on the taxpayer inviting him to observe the fiscal regulations.

SECTION VII.

Petitions—Collection.

These questions are treated in separate chapters.

SCALE

Income	Single person(1)	Married		
		for less than 2 years (2)	with 1 child under 21 or infirm	with 2 children under 21 or infirm
Francs	Francs	Francs	Frs. Cent.	Frs. Cent.
7,000	,,	,,	,,	,,
10,000	36	,,	,,	,,
15,000	96	60	22.80	,,
20,000	156	120	80.80	40.80
25,000	276	204	136.80	97.20
30,000	396	324	239.40	162.00
35,000	576	468	353.40	270.00
40,000	756	648	513.00f	388.80
45,000	996	852	684.00	550.80
50,000	1,236	1,092	900.60	723.60
55,000	1,536	1,356	1,128.60	939.60
60,000	1,836	1,656	1,402.20	1,166.40
65,000	2,196	1,980	1,687.20	1,436.40
70,000	2,556	2,340	2,017.80	1,717.20

(1) Plus 25 % if the taxpayer is more than 30 years of age on January 1st of the assessment year.

(2) Plus 10 % if the taxpayer is over 30 years and married two years on January 1st of the assessment year.

SCALE

Income	Single person(1)	Married		
		for less than 2 years (2)	with 1 child under 21 or infirm	with 2 children under 21 or infirm
Francs	Francs	Francs	Frs. Cent.	Frs. Cent.
75,000	2,976	2,724	2,359.80	2,041.20
80,000	3,396	3,144	2,747.40	2,376.00
85,000	3,876	3,588	3,148.40	2,754.00
90,000	4,356	4,068	3,590.60	3,142.80
95,000	4,896	4,572	4,247.00	3,574.80
100,000	5,436	5,112	4,548.60	4,017.60
110,000	6,636	6,276	5,620.20	5,000.40
120,000	7,836	7,476	6,760.20	6,080.40
130,000	9,096	8,700	7,900.20	7,160.40
140,000	10,416	10,020	9,142.80	8,305.20
150,000	11,736	11,340	10,396.80	9,493.20
160,000	13,176	12,744	11,696.40	10,692.00
170,000	14,616	14,184	13,064.40	11,988.00
180,000	16,116	15,648	14,432.40	13,284.00

(1) Plus 25 % if the taxpayer is more than 30 years of age on January 1st of the assessment year.

(2) Plus 10 % if the taxpayer is over 30 years and married two years on January 1st of the assessment year.

SCALE

Income	Single person(1)	Married		
		for less than 2 years (2)	with 1 child under 21 or infirm	with 2 children under 21 or infirm
Francs	Francs	Francs	Frs. Cent.	Frs. Cent.
190,000	17,676	17,208	15,903.00	14,644.80
200,000	19,236	18,768	17,385.00	16,048.80
210,000	20,916	20,412	18,912.60	17,463,60
220,000	22,596	22,092	20,508.60	19,975.60
230,000	24,336	23,796	22,104.60	20,487.60
240,000	26,136	25,596	23,803.20	22,064.40
250,000	27,936	27,396	25,513. 20	23,684.40
260,000	29,856	29,280	27,268.80	25,315.20
270,000	31,776	31,200	29,092.80	27,043.20
280,000	33,756	33,144	30,916.80	28,771.20
290,000	35,796	35,184	32,843.40	30,564.00
300,000	37,836	37,224	37,781.40	32,400.00
310,000	39,996	39,348	36,765.00	34,246.80
320,000	42,156	41,508	38,860.00	36,212.00

(1) Plus 25 % if the taxpayer is more than 30 years of age on January 1st of the assessment year.

(2) Plus 10 % if the taxpayer is over 30 years and married two years on January 1st of the assessment year.

SCALE

Income	Single person(1)	Married		
		For less than 2 years (2)	with 1 child under 21 or infirm	with 2 children under 21 or infirm
Francs	Francs	Francs	Frs. Cent.	Frs. Cent.
330,000	44,376	43,692	41,020.00	38,372.00
340,000	46,656	45,972	43,288.00	40,604.00
350,000	48,936	48,252	45,568 00	42,884.00
360,000	51,336	50,616	47,896.00	45,176.00
370,000	53,736	53,016	50,296.00	47,576.00
380,000	56,196	55,440	52,696.00	49,976.00
390,000	58,716	57,960	55,204.00	52,448.00
400,000	61,236	60,480	57,724.00	54,968.00
410,000	63,876	63,084	60,292.00	57,500.00
420,000	66,516	65,724	62,932.00	60,140.00
430,000	69,156	68,364	65,572.00	62,780.00
440,000	71,796	71,004	68,212.00	65,420.00
450,000	74,436	73,644	70,852.00	68,060.00
460,000	77,196	76.368	73,540.00	70,712.00

(1) Plus 25 % if the taxpayer is more than 30 years of age on January 1st of the assessment year.

(2) Plus 10 % if the taxpayer is over 30 years and married two years on January 1st of the assessment year.

SCALE

Income	Single person(1)	Married		
		For less than 2 years (2)	with 1 child under 21 or infirm	with 2 children under 21 or infirm
Francs	Francs	Francs	Frs. Cent.	Frs. Cent.
470,000	79,956	79,128	76,300.00	73,472.00
480,000	82,716	81,888	79,060.00	76,232.00
490,000	85,476	84,648	81,820.00	78,992.00
500,000	88,236	87,408	84,580.00	81,572.00
520,000	93,996	93,132	90,268.00	87,404.00
540,000	99,756	98,892	96,028.00	93,164.00
560,000	105,636	104,736	101,836.00	98,936.00
580,000	111,636	110,736	107,836.00	104,936.00
600.000	117,636	116,736	113,836.00	110,936.00
620,000	123,636	122,736	119,836.00	116,936.00
640,000	129,636	128,736	125,836.00	122,936.00
660,000	135,636	134,736	131,836.00	128,936.00
680,000	141,636	140,736	137,836.00	134,936.00
700,000	147,636	146,736	143,836.00	140,936.00

(1) Plus 25 % if the taxpayer is more than 30 years of age on January 1st of the assessment year.

(2) Plus 10 % if the taxpayer is over 30 years and married two years on January 1st of the assessment year.

SCALE

Income	Single person(1)	Married		
		For less than 2 years (2)	with 1 child under 21 or infirm	with 2 children under 21 or infirm
Francs	Francs	Francs	Frs. Cent.	Frs. Cent.
720,000	153,636	152,736	149,836.00	146,936.00
740,000	159,636	158,736	155,836.00	152,936.00
760,000	165,636	164,736	161,836.00	158,936.00
780,000	171,636	170,736	167,836.00	164,936.00
800,000	177,636	176,736	173,836.00	170,936.00
820,000	183,636	182,736	179,836.00	176,936.00
840,000	189,636	188,736	185,836.00	182,936.00
860,000	195,636	194,736	191,836.00	188,936.00
880,000	201,636	200,736	197,836.00	194,936.00
900,000	207,636	206,736	203,836.00	200,936.00
920,000	213,636	212,736	209,836.00	206,936.00
940,000	219,636	218,736	215,836.00	212,936.00
960,000	225,636	224,736	221,836.00	218,936.00
980,000	231,636	230,736	227,836.00	224,936.00
1,000,000	237,636	236,736	233,836.00	230,936.00

(1) Plus 25 % i fthe taxpayer is more than 30 years of age on January 1st of the assessment year.

(2) Plus 10 % if the taxpayer is over 30 years and married two years on January 1st of the assessment year.

DEPARTMENT

COMMUNE

DISTRICT

GENERAL INCOME TAX

AND

SCHEDULED TAXES

Deductions for Family charges

YEAR .....

DECLARATION

Filed by .....

Residing in .....

Street ..... N° .....

DEPENDENTS

NAME	Christian Name	DATE of Birth	RESIDENCE		GROUND of deductions: relationship to the Head of Family, incapacity, etc-
			Department	Commune	

Department .....

Commune .....

GENERAL INCOME TAX

YEAR OF ASSESSMENT .....

DECLARATION

to be handed over or forwarded to the controller of direct taxes before March 1st of each year. The time is extended up to March 31st for persons taxable for commercial and industrial profits who in the course of the year preceding that of the assessment have closed their fiscal year during the month of December.

DISTRICT OF CONTROL .....

Declaration received .....

Receipt sent .....

I.—If you are TAXABLE, file pages 1 and 3, date and sign at foot of page 3.

II.—If you are NON TAXABLE, but required by the law to make a declaration (see page 4), file paragraphe I, II and III, page 1 ; V, VI and VII, page 3 ; inscribe page 4 the mention : NON IMPOSABLE ; date and sign.

I. **Name** ..... **Christian Name** .....

Nationality .....

Address { On January 1 ..... { Commune ..... Street ..... }
{ On January 1 of the preceding year { Commune ..... Street ..... }

Employ, kind of business, profession.

.....

II. Position of Family on January 1st of the present year.

Are you bachelor, married, widower, widow or divorced? .....

If you are married, date and place of your marriage .....

If you are widower (or widow) when and where wife (or husband) is deceased .....

Have you children? ..... Are they all deceased? .....

Declare dependents other than wife by attached special form .....

II. Persons living with the taxpayer (other than wife) making a separate declaration.

Name	Christian Name	Relationship to the head of family

GENERAL INCOME.

The general income to be taken into account as basis of the tax (paragraph VIII) is equal to the sum of the net incomes of the various categories (paragraph IV) which have been realized during the preceding year, minus the sum of charges, taxes and losses (paragraphs V, VI and VII) concerning the same year.

The taxpayer has to declare his own income as well as that of his wife and children except when the wife lives apart (séparée de biens), and when the children receive an independent income subject to the tax.

IV.—Net Incomes by categories.

EXPLANATIONS	CATEGORIES	Net Incomes
	A.—Income paid in France.	Frs.
	1.—Income from Buildings. Actual Income or..... Net Income as determined for the the scheduled tax.....	
	2.—Income from Land. Actual Income or..... Net Income as determined for the scheduled tax.	
	3.—Income from Money and Securities.....	
	4.—Agricultural Profits. Actual Income or ..... Net Income as determined for the scheduled tax	
Non-Commercial Profits The taxpayer subject to the scheduled tax on Non-Commercial Profits is required to produce, within the first two months of each year, a special declaration showing the amount of gross profit, the amount of professional expenses and the amount of the net profit during the preceding year. When the profession is carried on at his domicile, the taxpayer is not required to produce the special declaration. It is sufficient to file the frame below. Receipts..... Profession. Expenses Net Profit	5.—Commercial and Industrial Profits. Net Profits as determined for the scheduled tax ..... When the Net Profits do not exceed 50,000 Francs, it is sufficient to declare the average Profits of the category elected (see special Form used for the scheduled tax).	
	6.—Profits of Mining	
	7.—Salaries, Wages, Pensions and Life Annuities of the head of family..... of the wife, children and other dependents	
	8.—Non-Commercial Profits. *a*) Charges and offices ..... *b*) Liberal Professions..... *c*) Other profits than above	
	B. **Income paid abroad.** (to be enumerated by categories)	
	General Sum	

V.—**Interest on loans and debts paid under contract or personal indebtedness.**

Creditor		Nature of contract	Interest or dividends paid
Name	Address		
		Total	

VI.—**Direct taxes and taxes assimilated** (other than the taxes taken into account in paragraph IV, such as business taxes).

Kind of taxes	Department	Commune	Number of the taxpayers' list	Amount paid
			Total....	

VII.—**Losses resulting from a deficit in the exploitation of an agricultural, commercial or industrial enterprise.**

Commune where the enterprise is situated	Explanations of the deficit	Amount
	Total	

VIII.—**SUMMARY.**

General Sum of net incomes (paragraph IV).....	
Deductions { paragraph V	
Deductions { ,, VI	
Deductions { ,, VII	
Balance or Net General Income.....	

This statement is *made under oath.*

(*Date and signature*)

Notice concerning the Non-taxable Taxpayers.

The Taxpayer whose net general income does not exceed the sum of 7,000 francs, increased, when necessary, by the amount of family allowances, is nevertheless required to make the declaration, if his name has been entered during the preceding year in the scheduled tax list for a total income of at least 1,500 francs or if he has received during the same year at least 1,500 francs income from securities other than Treasury Bonds or National Defence Bonds maturing at one year at the most, and French loan 4 % 1925.

Enter below in the frame the mention : Non Imposable.

.....

Date :

.....

Signature :

.....

CHAPTER IX

PATENTES

SECTION I.

The Patente is an annual tax, charged upon all persons or companies carrying on any business, trade, or profession in France.

From 1791 to 1844, it was in the nature of a licence, which had to be paid before a business could be commenced. Since then, this characteristic has been almost lost, and with very few exceptions, a concern may commence operations without having first paid the duty and obtained the patente-form. A bank, for instance, may commence business in France without first having paid its patente-duty.

Since 1918, this has not been a Government duty, but a local tax, and the proceeds are divided between the municipal authority and the department, in the same way as Local Rates in England are divided between the Urban or District Council and the County Council.

SECTION II.

General Characteristics of the Patente.

In its general scheme, this tax has many points in common with the local rating system in England. *It is not based on the profits of a business, but on the external evidence of earning capacity.*

In England, the basis is the simple one of the Rateable Value, while in France, all the following factors are taken into consideration :

a) The rental value of the business premises ;
b) The rental value of the proprietor's residence ;
c) The number of employees ;
d) The power of the engines or machinery employed ;
e) The population of the town in which the concern is situated.

By taking into consideration all these external factors, the legislation has attempted to arrive at a charge on a basis approximating to the earning capacity of the business, assuming normal efficiency of management.

The Patente retains its older "Licence" form to the extent that it is an annual tax. That is to say, the duty is due for the whole year, notwithstanding that it may be closed down during the year for any reason. An exception is made in the case of death or bankruptcy, when the tax is only due from the 1st January up to the end of the month when the business closes down. Thus in the case of a trader dying on the 15th April, and his business closing down on the 20th, Patente is only due on 4/12 ths of the sum which would ordinarily be payable. When a business commences after the beginning of the year, the tax is due only for the period from the first day of the month in which the business commenced to the 31st December. This rule does not apply to premises in which seasonal trades (e.g. casinos and hotels on seaside or thermal resorts) are carried on.

It should be added that, in spite of its annual character, the Patente can be increased during the year if certain changes, such as extension to the business premises, are made.

SECTION III.

Calculation of the Patente.

Each class of business or profession is given in an alphabetical list. Against each name appears the class (A.B.C. or D.) and the

category (1, 2, 3, 4, etc...) into which the particular enterprise falls, and it is necessary to refer to this list in order to determine the tax payable. The list is printed in the Paris Directory (Didot-Bottin).

The Patente tax is divided into two parts :

1. The definite basis—a fixed sum on which tax is chargeable irrespective of the rental value.
2. The proportionate basis—a sum arrived at by multiplying the rental value by a rate which is given in the list against the name of each business.

The Definite Basis.

Class A.—The fixed payment varies according to the population of the town in accordance with the following scale. The number of the class into which each trade falls (1 to 8) is given in the list.

DEFINITE DUTY									
	Communes								
Classes	Paris	over 100.000 inhabitants	from 50.000 to 100.000	from 30.000 to 50.000	from 20.000 to 30.000	from 10.000 to 20.000	from 5.000 to 10.000	from 2.000 to 5.000	under 2.000
1	400	300	240	180	120	80	60	45	35
2	200	150	120	90	60	45	40	30	25
3	140	100	80	60	40	30	25	22	18
4	75	75	60	45	30	25	20	15	12
5	50	50	40	30	20	15	12	9	7
6	40	40	32	24	16	10	8	6	3
7	16	16	12	10	8	8	5	4	1,50
8	10	10	8	6	5	5	4	3	1,00

Class B.—Payment varies according to the population of the town, but each business has a different scale, which is given in the alphabetical list.

Class C.—Payment does not vary with the population but the fixed sum payable is shown in the list after the name of each profession.

In many cases, for classes B and C, a sum has to be added to the definite basis in respect of each employee of the concern. For instance, a gold or silver refiner adds 10 francs for each workman, so that if he employed 50 workmen, his assessment would be : fixed sum Frs. 5,00×50×10=Frs. 505.00

Class D.—(consisting principally of the professions) pays no fixed duty.

The Proportionate Basis.

It is necessary, first of all, to determine the assessment on which the charge is to be based. In every case, the first consideration is the rental value of the business premises, warehouses, shops, factories, etc. occupied, plus the rental value of the residence of the trader. This rental value is ordinarily decided by the rent paid, but where the Controller of direct-taxes considers that the rent does not give an accurate idea of the present rental value, he is empowered to fix that value by reference to the current values for similar properties. In the case of factories, the rental value includes the premises, fixed plant, fixtures and fittings.

Having thus arrived at the basis of the assessment, it is necessary to refer once more to the list to discover the proportion on which tax is chargeable. This proportion is shown against each entry in the list, and varies as follows :

Class A.—From 1/20th to 1/100.
Class B.—Fixed generally at 1/10.
Class C.—From 1/20 to 1/60.
Class D.—From 1/12 to 1/15.

At this stage, the amount on which the proportionate duty is charged has been finally determined. It is now necessary to add this figure to the fixed duty to give the final assessment. This

assessment is then multiplied by the rate of tax in force (called the "Centimes additionnels") and the result is the Patente Tax payable. A few examples which are given later on will show more clearly the way in which this somewhat complicated calculation is made.

Centimes Additionnels.

The rate of tax is fixed by each town in the same way as Local Rates in England. That is, duty is charged at such a rate as is estimated to produce the revenue required for the year's expenditure. For example, the rate in Paris for 1926 was Frs. 6,2172058, and for 1927, Frs. 7,535545.

Examples.

1) Mr. Taylor is a merchant of surgical appliances in Paris. He pays Frs. 26,000 for his shop, and Frs. 10,000 for his residence, and these figures are considered satisfactory by the Fiscal Authority.

Calculation of the tax.

Definite Basis.—The alphabetical list shows this business to be in class A, Category 5. Reference to the scale printed above shows that the definite basis in Paris is Frs. 50.

Proportionate Basis.—The list further shows us that the proportion on which tax is chargeable is 1/30th. The assessment under this head is therefore :

$$\text{Rent of shop} + \text{Rent of residence } \frac{36{,}000}{30} = 1200.$$

The Definite and the Proportionate basis are then added and the result multiplied by the rate of tax for the current year (7.535545). Mr. Taylor's liability to Patente tax is therefore :

$$\text{Frs. } 50 + 1200 = 1250 \times 7{,}535545 = \text{Frs. } 9419.43.$$

2) Mr. Jones is a Banker in Paris. He pays Frs. 100,000 lease-rent for the bank premises, Frs. 15,000 for his residence, and employs 20 people.

The list shows him to be in "Class B" and it also shows that his Definite basis is Frs. 2,000 plus Frs. 50 for each employee. It further shows that his Proportionate basis is charged on 1/10th of his rental values.

Calculation.

Definite Basis Frs. 2000+(50×20)= 3,000

Proportionate Basis (100,000+15,000)$\frac{1}{10}$ 11,500

14,500

14,500×7,535545=109,265.40 Tax payable.

3) Mr. Smith has a motor-car factory, and employs 200 workmen. The rental value of his factory, including the manager's office, has been agreed with the Controller at 420,000 francs, and he pays Frs. 20,000 per year for his flat.

Definite Duty (Class C). 5

Plus workmen 200×5= 1,000

Proportionate Duty

On his flat 20,000×$\frac{1}{20}$= 1,000

On his factory 420,000×$\frac{1}{60}$= 7,000

9,005

Tax payable: 9,005×7,535,545=Frs. 66,855.78.

SECTION IV.

Special Cases.

I. Multiple concerns.

When the same taxpayer owns more than one concern he is taxed by as many times the fixed duty as he has separate establishments.

When a taxpayer carries on the sale of foodstuffs in several shops or warehouses, the tax is increased by one fourth if the number of these establishments does not exceed ten, by one third when it does not exceed twenty, by one half when it does not exceed fifty, and doubled when the number exceeds fifty.

II.—Representatives of Foreign Firms.

Any person, trader, manufacturer or commercial traveller, travelling in France with a view to collecting orders for the account of foreign firms, is liable to duties equal to the patent tax, payable in those foreign countries by traders, manufacturers, commercial travellers, which are doing the same transactions for account of firms established in France. Thus an English agent travelling in France would not be liable to Patente since there is no corresponding tax in England.

III.—Contractors dealing with Public Administrations.

The contractors dealing with Public Administrations have to pay the fixed "patent" duty, either by application of the general tariff applicable to their transactions, or at the rate of 25 centimes per cent on the amount on their annual turnover whichever is the higher.

"Grands Magasins".

These concerns are the object of a special taxation.

The definite basis is calculated taking into account :

1. The different transactions carried out ;
2. The number of delivery vans ;
3. The number of employees.

The proportional duty is progressive and varies according to the rental value of the premises as follows :

Rental value				Proportional duty
From	1	to	25,000	$\frac{1}{20}$
,,	25,001	,,	50,000	$\frac{1}{15}$
,,	50.001	,,	75,000	$\frac{1}{12}$
,,	75,001	,,	150,000	$\frac{1}{10}$
,,	150,001	,,	250,000	$\frac{1}{6}$
,,	250,001	,,	500,000	$\frac{1}{4}$
,,	over 500,000			$\frac{1}{3}$

SECTION V.

Exemptions

The law admits different causes of exemption :

The following are the main ones :

The "Patente" is not levied on : the officers employed and paid by the Government, or Municipalities ;

Painters, sculptors, engravers considered as artists and selling only their own productions ;

Professors or teachers of literature, science and the fine arts, school teachers, midwives ;

Editors of magazines, actors and actresses.

There are numerous other special cases which are exempt from the patent tax, but the above are those most likely to be of interest to the reader. The remainder are mostly specified in the law of the 15th July 1880 (art. 17).

SECTION VI.

Assessment.

The patente is dealt with by the controller of direct taxes. The taxpayer has no formality to fulfill. The demand note is despatched to the taxpayer by mail and is recoverable in the conditions set out in a separate chapter (see page 79).

The taxpayers who have not a fixed place of residence should pay the total amount of the tax on receipt of the demand note.

Responsibility of the Landlord :

The landlords or the principal tenants in their place are responsible towards the Fisc for the payment of the patent tax on account of their tenants or subtenants, if they have not given

to the Tax collector a notice of their removal one month before the term fixed by the lease, or in case of removal without notice if they have not given notice within the eight days following the removal.

SECTION VII.

To the patente are attached different additional taxes such as :

a) tax for expenses of Stock Exchange and Chamber of Commerce, for which additional centimes are applied to the figures of the Patente ;

b) tax on weights and measures to support the expense of verification of scales ;

c) local taxes replacing local customs duties. The city of Paris and certain other towns have been authorised to impose taxes substituting duties on drinks of small alcoholic content, such as wine, cider, beer, etc. This tax is based on the rental value of the house or premises occupied. For Paris the rate of this tax is 3 %.

It must be noted that the total of these taxes is a heavy charge for the taxpayer, it amounts from 50 % to 100 % of the rental value, and this charge must be carefully taken into consideration with a view to determine the sale prices.

CHAPTER X

CONTRIBUTION PERSONNELLE MOBILIÈRE

(Inhabited House Tax)

SECTION I.

Description of the tax.

The inhabited house tax was put in force by the law of January 12th 1791 and is governed in its present form by the law of April 21st 1832. Up to 31st December 1917, this was a Government tax. The law of the 31st July 1917, however, altered the nature of the tax, and the proceeds now go to the local authorities of the Departements and the Communes.

The tax is charged annually on every person having at his disposal a furnished dwelling, and is based on the rental value "valeur locative" of the property.

SECTION II.

Persons liable to the tax.

The tax is due from any person, French or foreign, having at his disposal a taxable dwelling, with the exception of the following,

who are exempted from this duty : members of the Diplomatic Service, Ambassadors, Diplomatic counsellors, consuls and other representatives of foreign countries.

Exemption is only granted under three conditions :

1. Provided the above mentioned representatives are not of French nationality.

2. They do not carry on any business in France.

3. The country they represent grants the same privilege to French representatives.

As regards foreigners, it is immaterial whether they are domiciled or even resident in France. It is sufficient that they have at their disposal a taxable dwelling, whether the house is their own property or not.

A dwelling is considered as being at the disposal of a tax payer as soon as he enjoys the benefit of the house for a definite period.

Thus, should the owner of a furnished house let it furnished during the summer and reserve it for his personal use in the winter, he is nevertheless subject to taxation.

On the other hand, a person who only hires a house for a season and then hands it back to the owner, is not liable to the tax.

SECTION III.

Taxable Dwellings.

The Law and Jurisprudence consider as taxable houses and premises that are furnished and are intended to be inhabited.

Premises having a strictly commercial and industrial purpose are not subject to tax.

In case of the furniture being removed from the flat, or the house, the tax can no longer be charged provided the removal takes place before the 1st January of the fiscal year.

SECTION IV.

Basis of Taxation.

Rental Value.

The tax is charged on the basis of the letting value of the residence. Normally, the rent paid is a sufficient guide to this value, but where the Fiscal Authorities consider that the rent does not represent the true rental value, they are empowered to modify the figure.

In Paris, the rental value is for the present taken as twice the rent paid or the rental value in 1914. From this figure are deducted the "Family Allowances". The 1927 allowances are as follows :

Taxpayer with no relatives dependent on him.	Frs. 375
Taxpayer with one relative dependent on him.	,, 800
For each other additional dependent relative.	,, 200

Children under 18 years of age, parents over 70 years of age, and invalids may be claimed for as dependent.

In other towns, the basis and the amount of the allowances vary in accordance with the local rules on the subject.

The rental value, minus these allowances, becomes the ratable value, and the tax is worked out on that value at the rate in force.

SECTION V.

Rate.

The rate varies from one commune to another, according to the financial liabilities and requirements of the Local Authorities. In Paris, the rate of tax was : 0,194.262 in 1926, and : 0,219.4328 in 1927. The tax, therefore, represents about 10 % of the 1914 rental value.

SECTION VI.

Assessment and Collection claims.

The tax is settled by the fiscal authorities. Each year they draw up a list of the inhabitants of the commune having at their disposal at January 1st a taxable dwelling.

The tax due is notified by post to each tax payer.

The collection is made by the Tax Collecter.

Claims are received and examined in the usual form (See separate chapter).

Responsibility of the Landlord—Removals.

The landlords and in their place the principal tenant shall : one month before the date fixed for the removal of their tenants request for inspection their tenants' receipts for inhabited house duty. When the tenants do not submit these receipts, the landlords or the principal tenants shall, on their own responsibility, advise the tax collector of the removal within 3 days. In the case of a clandestine removal, the landlords, and in their place, the principal tenants, become responsible for the sums due for inhabited tax by their tenants if the tax collector has not been advised of the removal within eight days.

SECTION VII.

Inhabited House Tax and General Income Tax.

Foreigners must bear in mind that in general there ia a lien between Income tax and Inhabited House tax.

In order that a foreigner can be made subject to this former tax it is sufficient that he has a dwelling at his disposal either in the capacity of owner or tenant.

Any foreigner marked on the list of tax payers subject to the Inhabited House tax will be ipso facto charged to General Income tax on an income based upon 7 times the letting value of the house, without prejudice to heavier taxation if the foreigner is domiciled in France or receives from French sources an income greater than that figure.

(See General Income Tax)

CHAPTER XI

COLLECTIONS

The Collector (Percepteur) of direct taxes receives from the Assessment Authorities the list of tax-payers (role) and immediately gives notice to the tax-payer of the tax due by him.

The notice (avertissement) shows the amount of the tax, the address of the Collector's Office, and the date of issue of the list of tax-payers.

From this date, the time of payment begins to run.

Dates on which the tax is to be paid :

The tax is to be paid by two equal instalments on April 30th and on October 31.

The time-limits for payment are fixed as follows, if the list of tax-payers is issued after April 30 :

Issue of the list of tax-payers	Time-limit for payment
From May 1 to July 31	July 31 (first instalment) October 31 (second instalment)
From August 1 to September 30	One month after issuing of the list (first instalment) October 31 (second instalment)
After September 30	One month after issuing of the list : in full

The Collector, however, is empowered to require payment of the whole amount, and to refuse to accept instalments in the following cases :

1. Ift he first instalment is not paid by July 31, when the list of tax-paye is issued before July 31,—or at maturity when the list is issued after July 31.

2. If the tax-payer moves out of the district where the tax is to be collected.

3. If there is a volontary or compulsory sale.

4. If the tax has been assessed with the addition of a penalty.

5. In case of cessation or change on ownership-business enterprises).

Payment :

The tax may be paid in different ways :

1. In cash at the Collector's Office. A receipt is delivered.

2. By postal order at Post-Office. The Post-Office receipt is sufficient to prove the payment.

3. Through a bank by crossed cheque drawn on the Banque de France or other authorised Banks, and issued to order of the Collector'add 0,50 for the postage of the receipt to be received from the Collector).

4. By transfer of money through the Banque de France or other authorised Bank.

Collection of the tax by suing the tax payer :

If the taxpayer fails to pay on or before the dates prescribed, the tax may be collected by suing the taxpayer. In this case, the costs of the collection are progressive :

First notification :	1% of the amount due
Second „	3% „ „ „ „
Notification of seizure	5% „ „ „ „
Formalities of sale	2,50 % „ „ „

CHAPTER XII

CLAIMS—APPEALS

All assessments concerning the income tax are subject to petitions.

The two kinds of petitions should be distinguished :

I. Claims based on errors in the application of the regulations ;

II. Appeals on the grounds of incapacity (total or partial) to pay the tax.

I. **Claims.**—When the taxpayer receiving the first notice for payment (avertissement) considers that the assessment is excessive by reason of error or mistake in the declaration or in the calculations, he has the right to file a petition for a revision of the tax.

The procedure is free of cost.

First, the claim may be lodged directly with the Controller of direct taxes at the Town Hall or at the Income Tax office, during the month following the month of issue of the taxpayers' list. The Controller examines the ground of claims and if it appears that the amount assessed is greater than the correct amount of the duty, he makes the rectification.

Secondly, the taxpayer has the right to file a petition to the Préfet of Département directly or after the inadmission of the petition by the Controller, during the 3 months following the month of issue of the taxpayers' list. If the examination by the Fiscal Authorities results unfavourably, the Préfet expedites the petition to the Board of Appeals (Conseil de Préfecture).

Finally against the Board's decision, the taxpayer has the right to make a petition to the Conseil d'Etat, High Court for the administrative litigations.

II. **Appeals**.—If owning to reverses of fortune the taxpayer is unable to meet his obligations, a petition for reduction sent to Préfet or Ministre des Finances is admissible.

A petition to General Director (Palais du Louvre) for remittance total or partial is likewise admissible.

It should be noted the tax is payable notwithstanding that an appeal is pending.

CHAPTER XIII

TAX ON TURNOVER

SECTION I.

Scope of the tax.

The tax on Turnover was created by the law of the 25th of June 1920. It is a tax on all commercial transactions, collected from the trader but borne ultimately by the consumer. In other words, this tax is charged on all commercial undertakings, whether a profit is realized or not.

The law lays down the various types of undertakings which are liable to this imposition. They consist of all concerns operating in France which buy for the purpose of re-sale, or who are engaged in businesses which are liable to "Tax on Business Profits". (These businesses have already been described).

In order to subject to this tax the great majority of transactions, the legislation has been careful to state that business done by persons who, without being traders in the ordinary sense, occasionally transact commercial business, is liable. Persons who, without exercising an avowed profession, indulge in occasional or isolated speculations, come, therefore, within the scope of this law.

The following are also chargeable :

—Mining exploitations.

—Operations carried out by persons acting as intermediaries for the purchase and sale of "Fonds de Commerce" (the property or lease, stock, fixtures, fittings and goodwill of a concern) or who buy these commodities in their own name with a view to re-sale.

—Operations carried on in France by persons acting as agents or employees of persons not established in France.

—Operations carried out by intermediaries or mandatories.

—The putting into circulation by a transport concern, which has itself constructed automobiles for the carriage of persons or automobiles arranged for the carriage of either persons or merchandise, or which adapts an automobile constructed for the purpose of carriage of merchandise or for passenger work.

SECTION II.

Exemptions.

The object of the legislation has, therefore, been to subject the greatest possible number of transactions to this tax. We must point out that only operations made in France are liable to the tax. All operations which result in a delivery in France are considered as having been "made in France". Certain classes of business have, however, been exempted.

I. In order not to add further taxes to the absolute necessities of life, the following are exempt :

1. Transactions concerned with the sale of bread.

2. Transactions consisting of the sale, commission or brokerage of wheat and rye intended for bread making purposes.

3. Business concerned with milk, in its natural state and intended for consumption.

4. Business concerned with artificial manures used in agriculture (e.g. nitrates, cyanamides, sulfate of ammonia, potassium salts, bones, pyrities, etc., for the manufacture or superphosphates.

5. Transactions concerned with coal, lignite and coke destined for domestic consumption carried on by persons other than mining concerns. In these cases, the tax is imposed, but only once, when the mining concern sells its products to the

different intermediaries concerned with distribution. The re-sale of the product by these middle-men to the retailers or consumers is not liable to the tax.

6. Raw skins, undyed wool, silks, cereals, coffee, cocoa, cotton, rubber, flax, hemp, phosphates, etc.

7. Transactions relative to trade in cattle, calves, sheep, pigs and horses destined for slaughter, and also trade in the fresh meat of these animals, or of cooked pork, are exempted from the tax which is replaced by a tax on the slaughtering the rate of which is 0.10 per kilog for horses, 0.125 for cattle, 0.20 for calves and sheep and 0.25 for pigs (live weight). In addition these products have to bear an import tax fixed as follows : calves and sheep 0.40, cattle and horses 0.25, pigs 0.50 per kilog, of meat imported.

—As far as coffee and tea are concerned, the tax is replaced up to 31st Dec. 1927 by an import tax of 8 % on coffee and 7 % on tea.

II. Certain classes of industry are already subjected to very high taxation, and, in order to equalize the burden to some extent, they have been exempted from this duty.

The following are for this reason exempt :

1. The transactions effected by shipping brokers, marine insurance brokers, brokers on Stock Exchange (including commodity exchange, such as the Wool or Corn Exchange).

2. The sale of pharmaceutical products or perfumes.

3. The sale and distribution (retail and wholesale) of spirits, liqueurs and aperitives.

4. Assurance Companies.

5. Theatrical productions, clubs in which games of chance or gambling takes place.

6. Business connected with coffee or tea (inland transactions).

III. This exemption is extended to business concerning the commodities under State monopoly :

1. Tobacco, matches, gunpowder, and explosives, and the stamps and stamped paper supplied by the State.

2. To transactions of persons holding a concession for public services granted by the State, such as Railways and Tramways where the tariffs are fixed and approved by a public authority.

IV. The Press, by reason of its great influence, enjoys a similar favour. Where the paper or periodical is sold for not more than 50 centimes per copy, no tax on Turnover is payable by the proprietors. It should be observed, however, that this exemption does not apply to the publicity side of the operations of the paper.

SECTION III.

Calculation of the Tax.

Concerns which buy for the purpose of re-sale.

It is not always easy to calculate Turnover Tax. The rule is only simple in the case of persons engaged in selling merchandise or property, and in the case of those who are thus engaged as agents or employees of persons not domiciled in France. The tax in such cases is levied on the total actual sales, which implies that, for the tax to be chargeable, two conditions must be fulfilled;

(*a*) The goods or property must be delivered;

(*b*) The goods or property must be paid for.

The amount of the sale is the price fixed between the buyer and the seller. Consequently, for the purposes of this tax, the cost of packing, postage and carriage, when these charges have been invoiced by the seller to the purchaser, must be taken into consideration.

Goods sold to a foreign customer.

Where the goods are sold to a foreign customer, only the price actually coming into France is considered for taxation purposes, all charges on the goods outside French frontiers being excluded. If the price is fixed in foreign currency the tax is calculated on the

amount of francs realized at the rate ruling on the day of payment of the foreign monies. If the exporter has sold the foreign currency for forward delivery when paid to him by his client abroad, the administration admits that the tax may be calculated on a basis of the rate of negociation of the foreign monies irrespective of the actual value of the currency at the moment of delivery.

Sale at a discount.

It should be noted that where, for any reason, the seller allows the buyer a discount, tax is charged only on the net price (i.e. the gross price less the discount).

Brokers, Commission Agents, etc.

Certain persons are liable to Turnover Tax who do not actually engage in buying and selling. These are the intermediaries, mandatories, artisans, persons engaged letting or hiring out of vehicles, or who place their services at the disposal of the public, such as bankers and discount houses. In these cases, the tax is levied on the gross income received from all sources.

As in the ordinary business of selling, it is necessary not only that the commission brokerage or salary be decided upon or fixed in advance—it must be actually paid. To use a term familiar to English taxpayers, this tax is calculated on a "Cash Basis". If the Commission Agent or Broker has himself engaged the services of another person, to whom he gives remuneration, he is nevertheless liable on the actual gross income accruing to him. The rule does not, however, apply when the employer gives orders to his intermediary to engage the services of a third person. For example, where a Paris bank receives instructions from a client to collect bills or other instruments through the intermediary of a specified bank in Marseilles, the Paris bank is only liable to the tax in respect of its commission after deduction of the charges made by the Marseilles bank.

Goods imported from Colonies or Foreign Countries.

If the goods are imported by intermediaries, or mandatories buying and selling in their own names, the tax is charged on the total sales. This rule applies if the goods are brought into France by an agent or employee of a person not resident in France.

Multiple Concerns or Businesses.

It frequently happens that one concern is engaged in several different types of operation, some of which fall into the first category (buying and selling of goods) and some into the second (supplying services). In these cases, the figures are apportioned as between the various types of operation, and the tax is then charged in accordance with the foregoing rules.

Business cancelled, annulled or unpaid. Repayments.

As we have already said, the tax falls only on business which has actually been concluded by payment. If, however, the tax *has* been charged on transactions which are subsequently cancelled or annulled, or in respect of which payment is not made, the amount of tax thus over-paid is deducted from the tax due on subsequent transactions. If the person who has over-paid ceases to be liable to the tax, he can obtain repayment by following the procedure laid down by the Administration.

SECTION IV.

Rates of Tax.

Products for domestic consumption : The rate of tax is 2 % on the turnover.

The rate is reduced to 1.30 % on turnover of newspapers or periodicals (excluding the sale of papers at not more than 50 centimes per copy, this income being exempted). This rate (1.30 %) also applies to the receipts arising from sale of paper to newspaper concerns.

On the other hand *increased rates* apply to the following transations :

(1) 4 %. Business of providing accommodation for persons ; and selling edibles and drinks for consumption on the premises carried on in establishments classed as "Second Category".

(2) 13 %. Similar business classed as "First Category".

(3) 12 %. Business of selling retail or for consumption on the premises goods, furniture or articles classed as "De Luxe". These articles are enumerated in Decrees which are too long to permit of reproduction in the present work.

We would point out, however, that luxury articles are divided into two categories :—

a) **Articles which by reason of their nature can be considered as luxuries**, e.g. eau-de-vie (alcohol), liqueurs, ancient tapestries, silk table cloths, curiosities, antiques, collectors' articles, arms and munitions, watches made of gold or platinum, art editions, gramophones, pianos, goldsmith's handiwork, bronzes, statues, pearls and precious stones, articles made of mother-of-pearl, ivory or amber, etc.

b) **Articles considered as luxuries when their price exceeds the price fixed by the decree**, notably articles of current use but whose quality renders them suitable for only a rich clientele.

The tax of 12 % only applies to direct transactions between the merchant and his client, and not to transactions between merchants.

(4) 6 % on the sale, by the manufacturers, of a new automobile built for transport, where the buyers declare that they will eventually be used for passenger carrying purposes.

(5) 12 % on sale by motor car manufacturers of new automobiles constructed for carrying passengers ; of cycle-cars, motor cycles and side cars, if their sale price exceeds 7,500 frs. The same rate is paid by concerns manufacturing these vehicles and running them themselves.

Persons other than the manufacturers (e.g. agents, garage proprietors, etc.) pay 2 % on the commission received by them on the sale of newcars, and on the sale price realised for second-hand cars.

The 12 % rate does not apply to the sale of automobiles bought for use in a public service, conceded, subsidized or undertaken by the State or by a local authority. The sale of second hand cars and spare parts is normally subject to the 2 % rate of tax.

(6) 2.50 % by mining enterprises on sales of coal, lignite, coke and chalk.

(7) 3.50 %. Until 31st December 1927, on sales made by manufacturers of nitrate of soda, nitrate of lime, cyanide, sulphate of ammonia, potassium salts, super-phosphate and oil-cake.

SECTION V.

Exporting Business.

The legislation as to the rates of tax payable on Export business has varied considerably from time to time. At one time, it tried to extend favour to the Export trade, which was then considered to be the sole remedy for the depreciated currency. The tax was either modified or annulled by successive governments during 1926. Then arose the fear that the result of these favours would be to empty the country of its commodities to the advantage of the foreigner rather than the home producer, and the Turnover tax was once more imposed on the Export business. We give hereunder the conditions existing prior to the Decree of the 4th of January 1927, followed by the conditions now ruling :

General Rate 1.30 %. This rate applies to all Export business, with the following exceptions :

(1) 3 % on sales of goods and merchandise of any description classified as "De Luxe" when the purchase is made by a business concern established abroad.

(2) 12 % on sales of similar "De Luxe" goods when the purchase is made by persons, not being business concerns, abroad.— The 12 % rate applies, no matter what the description of the foreign purchase may be, on sales made by antiquarians, of curiosities, antiques, old drawings, furniture and similar objects, old collections, and on paintings, aquatints, pastels, drawings, sculptures whether original or copied, when the artist has been dead more than 20 years.

The object of this clause is to prevent as far as possible the exportation of Works of Art, which are part of the artistic wealth of France and which by reason of the great depreciation of the franc during recent years, were in danger of being taken abroad to a very considerable degree.

Decree of the 4th January 1927.

The law authorises the Government to suspend the tax if the conditions of the foreign exchange render this course advisable. It was found that, after the revalorisation of the franc after July 1926, an economic crisis threatened to follow the financial crisis. To guard against this eventuality, and encourage and facilitate export, the Decree of the 4th January provisionally withdrew the Turnover Tax on Export business, except that part of it concerned with works of art, in which case the tax of 12 % is still in force. We have stated and analysed the law regarding this question, even though, at the moment, it does not apply, because it may be put in force again, simply by a Governmental Decree, at any time when the circumstances appear to justify or demand that action.

Sales by commission agents.

If a sale for exportation is concluded by a commission agent acting as intermediary between the seller in France, and the purchaser abroad, the operation of sale and that of commission are exempt from the tax on turnover. It is however necessary that the operation in question be a direct exportation ; if on the contrary, a French firm give a definite purchase order of goods for his own account, for the purpose of exporting them abroad, the sale by the firm in France to the exporter would be liable to the tax of 2 %. Commission agents are only considered as intermediaries by the Administration, provided that they transact their business by virtue of a regular power of attorney from their principal to whom they render an account of the purchase price of the goods bought, and of the amount of their commission and expenses.

In order to obtain exemption from the tax the exporters must inscribe all their consignments in a special register and indicate the date of the inscription in the register, on the customs declaration for export.

The seller if he transacts his business through an intermediary to whom he delivers the goods must keep an account of the goods delivered to the agent of the foreign purchaser.

The commission agent for his part must also keep a register of his consignments.

Sale of luxury articles to Foreigners in France.

1. Merchants :

If foreign merchants buy luxury articles in France, and take delivery thereof in France, e.g. model gowns, furs, ribbons, silks, embroideries, the sales thus concluded are not liable to the tax of 2%, even if the delivery is made to the hotel of the purchaser, or on boardship, on condition that the foreign merchants are provided with a buyer's card.

This card is obtainable from the Administration after a declaration has been made by the foreigner, visaed by the French Consul for his district, mentioning his name in full and address, and certifying that the articles purchased will be re-sold abroad. If the foreigner holding a buyer's card buys other articles than those specified above, the tax is not payable if the articles in question are included in the luggages of the purchaser, nor is any tax payable if the goods are delivered to the purchaser on board a steamer ready to sail.

2. Individuals not merchants.

Articles purchased as above mentioned by persons who are not themselves traders, do not obtain the benefit of exemption from tax, unless the goods in question are despatched abroad by the seller or as in the case mentioned above delivered to the purchaser on board a steamer ready to sail.

For goods thus delivered on boardship, the persons in question must present to the Customs authorities a duplicate of the invoice, upon which the Customs put a visa.

SECTION VI.

Persons liable to the Tax.—Their obligations.

1. Persons liable to the Tax on Industrial and Commercial profits.

These persons have no special formality to fulfill regarding their liability to tax on turnover, as these taxpayers are known to the Fiscal authorities.

2. Persons not liable to the Tax on Industrial and Commercial profits.

These persons are obliged to make a declaration within the time limit of fifteen days from the commencement of their operations, or of the opening of their commercial or industrial establishments; this declaration must be sent in to the *Bureau des Contributions indirectes* (office for indirect taxes) by all persons whose trade or occupation consists in buying in order to resell.

The declaration must be sent in to the "*Customs collector*" in the case of foreign agents who are customs brokers.

For persons engaged in banking, money changing, bill or discount brokers, stock exchange brokers, insurance brokers, shipping brokers, and in general for all occupations relative to trade in securities and money, including real estate agents, and persons acting as agents for the purchase and sale of buildings, the declaration must be sent in to the "*Bureau du Receveur de l'Enregistrement*".

Particulars of the declaration.

The declaration must contain the following particulars :

1. The full name and domicile of the taxpayer.

2. A precise description of the nature of the establishment and of its situation.

3. If necessary, the exact title of a business house.

The declaration must be signed by the person liable to tax or by his duly appointed attorney.

Obligations of persons liable to Tax.

In order to facilitate the control by the Administration, those taxpayers who have no regular bookkeeping system are obliged to keep a book with numbered pages on which they must record day by day, without leaving any blank lines or making any erasures, the details of their transactions. In support of the details given in this book, the persons concerned must preserve for three years all documents of a nature to substantiate or prove the entries in the book, especially the purchases invoices.

The book mentioned above, and also the documents relative thereto, must be shown on demand to the officials of the Administration of Direct Taxes, or according to the circumstances (as described above) to the Officials of the Customs, Indirect Taxes, or Enregistrement.

Monthly declarations of Turnover.

Persons liable to the tax must send to the Tax collector for their district, every month, a statement of their turnover for the preceding month. This statement, must be sent in not later than the 26th of each month, and must contain the following details :

1. The name of the office to which it is addressed.

2. The month to which it applies.

3. The name and domicile of the taxpayer, the designation and head-office of the establishment, and, if necessary, the designation and address of any branches or agencies.

4. The nature of the trade or industry or business which gives rise to the payment of tax.

5. The total amount of business transacted during the preceding month, a distinction being made between the various categories of transactions to which different rates of tax are applicable.

Payment of the Tax.

The declaration sent in must be accompanied by payment of the amount of the tax. Payment may be effected either in cash, postal cheque, or postal-order. The Administrations are however authorized to draw a draft on the taxpayer for the amount of the tax, which draft is in reality only receipt presented by the postal authorities, and is payable at the end of the month in which the declaration has been lodged.

Provisional Payments.

Payment of the tax by monthly instalments may present certain difficulties for traders who do not balance their books monthly, especially those who only estimate the value of their gross profits at the end of each half-year. For these traders, provided that they maintain a permanent establishment, the law authorises payment by provisional instalments on condition that a request to this effect is sent to the Administration in the first three months of each year. The instalments are based on the turnover of the preceding year and are payable quarterly if the turnover for the preceding year did not exceed Frs : 300,000—or if the turnover exceeded this figure, they are payable monthly.

Right of Inspection of books and documents by the Administration.

In order to enable a control to be kept over the declarations, every trader having a turnover exceeding Frs : 50,000—is obliged to submit to the Agents of the Revenue Authorities, on demand, his commercial books and all other documents concerning receipts and expenditure. The only exception is for Companies admitted to "Régime du forfait" which we shall now examine.

SECTION VII.

"Régime du Forfait."

Since the institution of the tax on turnover, many retail traders have found themselves obliged to have a bookkeeping system.

A large number of them, especially the small dealers, were quite unprepared for this work and it is in their interests that the "Régime du Forfait" has been introduced.

Taxpayers who purchase in order to resell and whose turnover does not exceed Frs : 300,000 per year, may on demand be relieved of the liability to keep the special book mentioned above, and also of sending in the monthly statement. They are not called upon to produce proofs to the Agents of the various Administrations. For other persons liable to the tax who are included in the other categories, i.e. commission agents, those who provide accommodation etc. the "Régime du Forfait" is permissible if the turnover does not exceed 40,000 francs.

The amount on which the tax is based is fixed by the Administration after having made an agreement with the tax payer. If an agreement between them cannot be reached, the matter is submitted to a commission for the district (department) which is presided over by an official and consists of three representatives of the Administration and three merchants, in addition to the president. If this commission gives a decision unfavourable to the taxpayer the latter can renounce his right to the payment of taxes under "régime du forfait".

The amount on which the tax is based is fixed for a period of two years and may be renewed from year to year by mutual consent, or may be cancelled by the Administration or the taxpayer, during the last two months of each year. The amount moreover may be revised during the two months previous to the expiry of each quarter at the request of either the Administration or the taxpayer, if a considerable change occurs in the amount of business transacted in goods or articles classed as "Luxury Goods".

Payment of the Tax.—The payment of the tax by traders benefiting by the "Régime du forfait" takes place quarterly in April, July, October and January.

SECTION VIII.

Penalties.—Statute of Limitations. Law suits.

The law provides that persons liable to the tax who are late with payment of their monthly or quarterly instalments, or any supplementary amount resulting from final settlement, must pay as an indemnity for each month or fraction of a month late, 1% of the tax due if the delay does not exceed three months, 1-1/2% for each of the following three months, and 2 % for each month in excess of six.

If it is a question of an omission, or oversight in the bookkeeping, or in the special book kept by those taxpayers with no bookkeeping system, or in the statements sent in to the Tax collector, the taxpayer in question must pay a fiscal fine equivalent to five times the amount of the taxes evaded with a minimum of 50 frs. In addition, for each franc so calculated, a supplementary fine of 25 centimes per franc is payable. If it is a question of misrepresentation of the Turnover or any other irregularity implying fraudulent design, the penalty laid down by the law is a fiscal fine of from 50 to 1,000 francs to which must be added 25 centimes per franc.

In case of repetition of the offence within three years from the first contravention and with fraudulent intent, the Administration is authorized to bring the offender before the "Tribunal Correctionnel" which is a criminal court of a lower degree, and he is liable to a punishment of from eight days to three months imprisonment. The onus of proof of fraudulent intent is on the Administration so that the latter only brings offenders before the "Tribunal Correctionnel" in cases where their bad faith is clearly established.

Refusal to permit Inspection of books etc.—As the law compels persons liable to the tax to preserve for three years their commercial books, the Special Book mentioned above and all documents relative to the transactions made by them, especially the purchases' invoices, the Administration has at the same time been accorded the right to examine all these books and documents in order to ensure a control over the tax. If persons liable to the tax refuse to permit inspection of these books or documents, they are liable to a

fine of from 500 to 5,000 francs representing, after addition of 25 centimes per franc, from 625 to 6,250. This fine however, does not relieve the taxpayer from liability to permit the inspection, a further fine of a minimum of 100 francs per day's delay being imposed.

Statute of limitations.—The rights of the Administration to recover taxes and fines lapse, after a period of three years from the date of the infractions. Taxpayers have only a time limit of two years from the date of payment in order to take proceedings for recovery of sums unduly paid to the Administration.

Law suits.—All disputes relative to turnover and taxes thereon are within the jurisdiction of the "Conseil of the Préfecture", appeals against a judgment rendered by one of these councils being brought before the "Conseil d'État."

CHAPTER XIV

TAX ON INCOME ARISING FROM MOVABLE CAPITAL.

Valeurs mobilières—Stocks, Shares and Debentures.

GENERALITIES.

One describes as " Valeurs mobilières " the documents of title representing part shares in Companies or Corporations and the documents representing obligations contracted by such companies or corporations (the State, departments, communes, public institutions), which can be ceded by following the rules of commercial law, as distinct from the cessions to which Civil Law is applicable. In short "valeurs mobilières" are securities which are negociable on the Stock Exchange. In general these securities are subject to these taxes:

1. stamp duty,
2. transmission duty,
3. Income tax on Movable capital.

In the present work we are not concerned with the first two taxes as they do not come within the scope of this work. We shall therefore confine ourselves to the examination of Income Tax. It soon becomes evident that the meaning of the expression " Valeurs mobilières " has been extended by the Revenue Authorities to include all movable capital, all profits distributed, or financial advantages granted by the Companies, Corporations, etc., mentioned above.

We shall study separately the application of the tax to the securities of :

1. French Societies, Companies and undertakings,

2. Foreign Societies, Companies and undertakings which have given a direct engagement to the fiscal Authorities to pay the taxes direct (Sociétés Abonnées),

3. Foreign Societies, Companies and undertakings not having subscribed to such an engagement and also securities issued by Foreign States.

PART I

French Societies, Companies and Undertakings.

GENERAL REMARKS.

Income Tax on Valeurs Mobilières was instituted by the law of the 29th of June 1872.

French Companies i.e. those which have in France their chief office are naturally liable to the tax. The rate of the tax has been 18 % since the 1st of January 1927.

SECTION I.

I. Shares, Founders shares, Sleeping partners shares.

The legislation has made an effort to give to this tax a ganeral character and to subject to the tax all revenues arising from capital invested in the Societies.

We shall first of all take the income of capital invested in the Societies by the partners themselves.

Societies liable to the tax.

All societies are liable to the tax with the following exceptions :

1. Simple commercial partnerships.

2. Mixed partnerships (for income distributed to the managing Directors).

3. Limited liability companies created under law of the 7th of March 1925 (for the income distributed to the managing directors).

4. Agricultural credit Societies.

5. Societies for cheap housing.

Companies limited by shares.

No distinction can be drawn between the different types of securities issued by these companies. For instance "actions de jouissance" (1), are taxable as well as the capital shares. Similarly founders shares representing the goods or valuable considerations brought in to the company by investors for which cash has not been paid are taxable.

Mixed partnerships in which the capital is represented by shares. ("Sociétés en commandite par actions").

(In these Companies one or more partners have an unlimited liability where as others are only liable for the amount of their investments represented by the shares they hold). The tax of 18 % is applicable to all the shares but if the managing directors receive a special remuneration (i.e. salary, bonus, etc.) other than the dividends due to them as shareholders, these special remunerations are not taxable.

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(1) "Actions de jouissance" are popular in France, but almost unknown in England ; and a word of explanation is necessary. As an added inducement to investors, the capital invested is sometimes repaid, after a certain period, but the shareholders receive after reimbursement securities known as "Actions de Jouissance", the holders of which are entitled to the same interest of dividend as they would have received had the capital not been reimbursed, they a so have a right to a share out on liquidation after payment of ordinary shares.

Mixed partnerships without negociable shares. ("Sociétés en commandite simple".)

The tax is only applicable to the share of each sleeping partner in the general capital of the company, whether represented by a receipt, or merely mentioned in memorandum of association. The active partners do not pay this tax even if they have contributed to the capital of the Company.

Simple partnerships ("Sociétés en nom collectif").

These partnerships are exonerated by virtue of a Special law and the Income distributed to the partners whether taking an active part in the management or not is exempt from the tax of 18 %. This exemption however only applies to commercial partnerships, that is to say briefly, Companies buying goods to resell them ; on the other hand the revenues of Companies engaged in the purchase and sale of real estate, or in the exploitation of mines do not benefit by the exemption.

Liability limited Companies. ("Sociétés à responsabilité limitée".)

These Companies were created by the law of the 7th March 1925 on the pattern of English and German liability Companies. These companies are midway between Companies limited by shares, and simple partnerships. The number of partners is usually strictly limited as in the latter, but their liability is limited as in the former to the amount of their contribution. The partners may be dormant or may take an active part in the management of the Company. The tax of 18 % only applies to that portion of the revenue distributed to the dormant partner.

II. Conditions in which the tax becomes due.

The tax is not due upon the profits of the Societies but only on the proceeds arising from the shares. A company may make profits but if no dividend is distributed no tax is due.

Furthermore the distribution of dividend must constitute an actual profit for the shareholder (i.e. this would not be the case if the Company refunded to a shareholder the amount of his share)

on liquidation, unless of course the amount paid to the shareholder exceeds the amount of his contribution to the capital, as this excess obviously represents a profit). It must however be obserbed that if a reimbursement of the capital is effected before the winding up of the Company by means of deductions from profits or reserves, or even by means of realisation of a portion of the assets the tax becomes due, sums distributed in these conditions however are not liable to tax if the Statutes of the Company provide for a compulsory redemption of the shares during the existence of the Company.

If after refund of the capital and the issue of benefit shares, the Society is wound up that part of the assets distributed to the holders of the benefit shares is only taxable to the extent of the value of the original share which were replaced by the benefit shares after refund of the capital.

Tax is due in the following cases :

1. The creation of new shares for the benefit of the partners (free shares).

2. The distribution of debentures to shareholders in place of payment of cash dividends.

3. Payment by the Company of the part of the capita not paid up by the shareholder.

4. Payment by the Company out of his own assets of the Income Tax which the Company is entitled to reclaim from the shareholder.

5. The repurchase of the founders shares by the Society if the purchase price is in excess of the original value of the share.

6. The distribution amongst the shareholders of a Company of the sharesof an other Company.

III. Determination of amount of tax due.

For shares the taxable income is determined by the dividend fixed in accordance with the decisions of the shareholders' general meeting (in the case of Companies limited by shares).

In partnerships the taxable income is determined by the decisions of the Board of Directors or, in case no such decisions

are taken, by the payment of a sum representing 8 % of the capital, as fixed by the Statutes, or as calculated on the basis of the mean-price of shares which have changed hands during the proceeding year. However such Companies can obtain exoneration by furnishing proof of their non-productivity. The decisions or resolutions must be communicated to the Administration within twenty days from the date they were passed.

SECTION II.

I.—Debentures and loans.

In addition to the capital invested in a Company by the share holders or partners, capital is obtained, in the form of loans or debentures—negociable or otherwise, by appeal to the public. Corporate bodies such as the Departments and Communes also obtain funds in this way.

The income from these loans is liable to income tax in the same way as dividends or shares. However, the loans of simple commercial partnerships are specially exempt, as are Artisan Companies, Agricultural Credit Societies, Maritime Credit Societies and Cheap Housing Societies.

II.—Securities liable to the tax.

The form of the loan and its mode of realisation have little importance, as the tax applies equally to negotiable bonds, to loans guaranteed by a pledge or a mortgage, and to long or short term loans.

A debt not arising from a loan.

The tax of 18 % does not affect loans which have not the legal characteristics of a loan, thus the discounting of a bill; although in effect the discounting banker places funds at the disposal of the holder of the bill, the transaction is not regarded as a loan for the purpose of application of the 18 % tax. Similarly, sums placed

on deposit with a Company or institution do not give rise to this tax. The law has expressly freed from the tax advances granted against warehouses' receipts.

III.—Basis of the tax.

The tax applies to distributed income, and if a Company were unable to support the interest on its loan, any tax which may have been collected before the distribution of interest, would be refunded to the Company.

If the capital of a loan is repayable by annuities, at the same time as the interest of the loan, the tax is only due on the interest and not on the amount of capital refunded. The fact of the Company paying the tax in place of the debenture holder and not reclaiming payment from the latter, does not affect the calculation of the tax as it does in the case of share dividends.

Note.—Certain loans contracted abroad by certain French Companies, notably Railway Companies, are not subject to this tax, but the interest paid on these loans is taxable if the coupons for the interest are collected in France, by persons resident in France. The rate of this special tax is 25 %. We shall deal further with this tax later.

SECTION III.

Lottery bond drawings, and debentures issued at a discount or repayable at a premium.

Occasionally when Companies or corporations borrow money the refunding thereof is arranged in advances by drawings, a certain number of bonds being periodically repayable at a price considerably in excess of the nominal value. Bonds which are reimbursable in these conditions are known as "Valeurs à lots". In the same manner, it may be decided at the moment of issue that a bond of a nominal value, say Frs. 500, shall be reimbursed at the rate of Frs. 700. The difference between the issue price and the repayment price is known as the "premium". Bonds of the above two categories are liable to the tax of 18 % on the interest

distributed thereon up to the time of reimbursement. In addition, however, special taxes are payable on the amount of the excess received by the bondholder on repayment. Thus for a lottery bond, the difference between the amount against the lucky number and the issue price of the bond is liable at 36 %, whilst the premium fixed in advance for the redemption of the bond is taxable at 18 %.

SECTION IV.

Profits distributed to directors.

It is usual for statutes of Companies to provide that the director shall be entitled to a proportion of the profits. Amounts so apportioned to the directors are liable to the tax of 18 % and this tax affects all sums distributed among the directors whether as fees for taking part in the discussion of the Board or as special dividends taken out of profits of dividends to the shareholders. There is, however, an exception to this rule : it may happen that the functions of manager of the Company are taken over by a director, in which case the amountspaid to him in remuneration of his services, are exempted from this tax. Such remuneration constitutes a salary which is taxable at the special rate for tax on salaries, as the personal income of the Managing Director.

SECTION V.

I.—Payment and settlement of the tax.

The tax is not paid directly either by the shareholders or bonds holders, it is paid by the Company which has the right to recover the amount paid from the holders of the securities.

The settlement is made in the following manner :

1. **For shares and loans of variable revenue,** the payment of the tax is effected in four equal payments calculated according to the result of the last financial year, and based on 4/5 of the income for that year.

For example, if the revenue of the preceeding financial year was 100,000 frs., the provisional payments to be made in the current year, pending the definite result for the year, would be 4/5 of 100,000 frs.—80,000 or Frs. 20,000 per quarter; for new Companies the income is estimated at 5 % of the paid up capital.

2. **For debentures, loans, and other values bearing a fixed income,** payment is effected in four equal instalments according to the annual proceeds of the debentures, etc.

For shares and also for debentures payment of the instalments must be made in the first 20 days of January, April, July and October.

3. **For lottery bonds, and premiums,** the tax is payable within 20 days from the date of the drawing.

4. **For Directors fees,** payment must be made in one sum, within 20 days from the date of distribution.

Final settlement. As far as shares and securities of variable income are concerned, final settlement takes place each year after the closing of the books for the financial year.

If from the final figures, a supplementary amount is due it must be paid within 20 days from the date of the shareholders general meeting or of any similar meeting at which a resolution is passed fixing the amount to be distributed. If on the other hand, the provisional payments have been in excess of the amount actually due, the excess is carried forward as the set-off for the next financial year. Should the company be wound up, the liquidator can claim reimbursement of the excess from the fiscal authorities.

Lodging of Balance sheets and Minutes.

With a view to fixing the amount of the tax, companies must lodge with the "Enregistrement" for their district,

1. Extracts of the minutes of the Board of Directors,
2. Balance sheets,
3. Profit and loss accounts.
4. Report of the proceedings of the general meeting fixing the amount of dividend.

Furthermore, Companies must advise the Enregistrement within one month of any change in the constitution of the Company, or of its Chief Office, the issue of new shares or debentures, and also, within twenty days, the minutes of any drawings by lot together with a statement indicating for each drawing the number of bonds or shares redeemed, the issue price of these securities, the amount of the lottery tickets, or premiums, and the amount on which tax is payable.

II.—Legal action for the recovery of taxes.

The tax is recoverable from company, but in view of the fact that the Company has the right to recover the tax from shareholders, bondholders or lenders, the administration can take direct action against the latter to obtain payment of any taxes not paid by the Company.

III.—Penalties.

Neglect by Companies to observe the regulations mentioned above regarding the date for lodging the documents, and the time limit for payment of the taxes, renders the Company liable to a fine of from 180 to 9,000 frs., for each contravention.

If in consequence of errors in the accounts furnished to the Administration the latter has only collected tax on a part of the income, the penalty is equivalent to the amount of the tax unpaid.

IV.—Right of inspection.

The Administration of the Enregistrement has the right to demand production of all or any of the Books of Companies in order to verify whether the tax has been regularly paid.

In case of refusal to submit to the Enregistrement any books required for verification purposes a fine of from 1800 to 18000 francs is incurred.

V.—Law-suits.

Legal proceedings relative to this tax have to be conducted according to the Civil law, the highest Court of Appeal being the "Cour de Cassation".

PART II.

Foreign Societies, Companies and Undertakings which have given a direct engagement to the fiscal authorities to pay the taxes direct. (Sociétés ou Collectivités abonnées)

SECTION I.

Foreign Companies owning goods or property or making transactions in France.

The Nationality of a Company.

The nationality of a Company is determined by the situation of the chief office, except in case the chief office has been fixed by the company with a view to defrauding the fiscal authorities. Consequently companies whose chief office is fixed outside of France, (that is in foreign countries and also in French colonies or protectorates), are Foreign companies.

I.—Companies liable to the tax.

Those companies are liable which correspond to French companies liable to the tax, particulars of which have been given in the preceding chapter. Similarly Foreign societies are exempt which correspond to the French societies not liable to the tax.

We would point out that Foreign municipalities, provinces and public institutions are not taxable upon the property which they possess in France but only by reason of loans floated by them in France.

Deposit of the memorandum of Association. With a view to determining the companies subject to the tax Foreign companies and undertakings which propose to acquire, or to exploit property in France or to undertake business transactions in France are obliged to lodge with the Office of Enregistrement for their district, a certified copy of their memorandum and articles of association. This copy must be accompanied by a translation into French, the certification may be made by any qualified representative of the company, whose signature must be legalised by some public authority of the country of the company, the signature of the public authority being in turn legalised by the French consul.

II.—Circumstances which render Foreign companies liable to the tax.

1. The possession of property, within the category of the object for which the company was formed (for example, the goodwill, branches agencies and factories).

It must moreover be noted that a Foreign company may be liable to tax without owning any goods or property in France. It is sufficient if the company undertakes business with persons resident in France, as by this means a collection of claims in favour of a company are formed, which are localised in France, and, consequently, subject to tax. This would be the case where a foreign insurance company without having opened any agency in France granted policies, which would be handed over to an assured person in France, through the medium of a paid representative. It has also been decided that a Foreign company which has founded a partnership in France for the purpose of industrial exploitation was liable to tax, if in the partnership founded by the Foreign company, the latter reserved to itself the right of management and signature, and also a percentage of the profits.

Tax is not payable by a Foreign company which is a shareholder in a French company, nor by those which sell directly to French customers, without having in France either real estate, branch or representative.

2. **Loans contracted in France by Foreign companies.** If these loans are represented by securities, the interest is subject to tax, in accordance with the principle set forth in section II, of the present chapter.

III.—Guarantees of the Fiscal Authorities.

French law has taken precautions to guarantee the Fiscal authorities as far as Foreign companies are concerned. Before commencing operations in France, a Foreign company may choose between two alternatives.

1. It may have a Responsible Agent approved by the Administration, who accepts the responsibility for any taxes and fines which may be due.
2. It may deposit a cash guarantee.

Responsible representative.— Foreign companies which have deposited a copy and a translation of their Statutes, and which have furnished proof of the regularity of their constitution by producing the necessary documents (for English and American companies a certificate of incorporation), may give an engagement to pay income tax to the Revenue Authorities. This engagement is drawn up on stamped paper and signed by an authorised representative of the company, whose signature must be legalized as mentioned previously. The engagement is, however, only accepted if the Administration is satisfied that the signature thereto is sufficient validity to engage the responsibility of that company. For English companies, it is sufficient if a Public notary certifies that the company is duly liable on the signature.

In addition, the administration requires the undertaking of a responsible representative, who undertakes personally to pay taxes and fines which may be incurred by the company in France. Whereas, however, the undertaking of the company must be given for the whole duration of the company, that of the responsible representative may be given with a reserve that the engagement can be terminated at the end of a period of three years. The responsible representative whom it is proposed to appoint, must be French, honourable and solvent. It can be a private individual or a company.

Within fifteen days from the date of the deposit of the documents, the Administration makes known its decision whether the responsible representative has been approved or not.

Responsibility of the responsible representative.—The responsible representative is not a guarantor, but a direct debtor to whom Administration may apply directly in order to obtain pay-

ment of unpaid taxes. As mentioned above, it is permissible for the responsible representative to put an end to his engagement at end of three years on condition he gives the "Enregistrement" a notice of three months.

In case the responsible representative cancels his undertaking, or dies, or is declared bankrupt, the Foreign company must immediately nominate a representative or deposit a cash guarantee.

Date of commencement and termination of the engagement of the responsible representative.

The date of commencement is that on which the Foreign company has commenced operations in France, or owned property, or raised loans in France.

It is, therefore, evident that the responsibility may be incurred at a date previous to that of the signing of the undertaking.

The responsibility ceases :

(*a*) in case of winding up whether voluntary or compulsory, of the Foreign company for transactions undertaken after the date of winding up.

(*b*) In case of termination of the engagement provided that sufficient notice has been given.

(*c*) In case a new representation duly approved by the Administration has been substituted.

(*d*) In case a cash guarantee is deposited in order to replace a responsible representative.

(*e*) If the company ceases to do business in France.

Guarantee in cash.—A foreign company may as a guarantee of payment of taxes deposit a sum in cash. The company must furnish the same documents as mentioned above, but on giving the engagement to pay taxes and fines the company must request the Administration to fix the amount of the cash guarantee to be deposited by the company with the "Caisse des Dépôts et Consignations", a special institution for the purpose of receiving deposits of this nature.

When the amount has been fixed by the Administration the company pays the amount claimed, together with a written agreement that the amount is to be held in favour of the Administration, and authorising the "Caisse des Dépôts et Consignations" to debit from the amount deposited and to pay the Administration any sums which have not been paid on due date. The "Caisse des Dépôts et Consignations" delivers a receipt which must be handed over to the Administration of "Enregistrement".

Rules for the fixing of the amount of the guarantee.

The guarantee must been paid in cash, securities not being accepted. The amount of the guarantee usually corresponds to the approximate total of taxes and fines which may fall due during a period of 3 years. In order to ascertain the amount the Administration takes into consideration the value of the goods or property owned or exploited in France, or alternatively the proportion between the total capital of the company and the French capital invested therein, or again the proportion between the business transacted in France and the total business transacted by the company.

Interest.—Interest is paid on the cash deposit with the Caisse des Dépôts et Consignations, the present rate being 2%.

Refund of the guarantee.—The refund of the amount of the guarantee can only be authorised by the Administration in the following cases :

a) if the company has not commenced any transaction in France ;

b) if the company no longer possesses any goods or property in France ;

c) if the company puts an end to its business operations or is wound up ;

d) if the company goes bankrupt.

For English companies it is sufficient to furnish the Administration with a copy of the London Gazette in which notice is given that the company has been struck off the Register of Companies.

IV. Circumstances which give rise to the tax.

The tax becomes payable in the following circumstances :

1. **The date from which the company becomes liable to the tax :**

As previously mentioned taxes date from the first operation commenced in France, or from the date of purchase of goods or property in France, or else from the date on which the company raises a loan in France.

2. **Taxes are also due from the date of distribution of profits** to the shareholders, or to the Members of the Board of Directors, or from the date of payment of interest on the loans.

In other words the date from which the company is liable to tax is decided by whichever of the operations in sections 1 and 2 above comes first in order of time, although actually taxes are only payable when the profits have been distributed.

V. "Quotité Imposable" (i. e. that proportion of the total business of the company which is considered taxable by the French fiscal authorities).

Owing to the legal principle of the territoriality of taxes Foreign Companies are only liable to the tax in as far as their existence in France is concerned, and then only in proportion to the extent of their business in France. If therefore a foreign company carries on business both in France and abroad, taxes would not be due in France on the whole profits distributed, but only on a proportion thereof which is generally equivalent to the ratio between the value of the French property owned by the company, and the total value of all the property of which the Company is possessor.

But in addition to the principle of the "Taxable proportion" outlined above, the proportion may be determined in the following manner :

1. Ratio between the value of business done in France, and the total value of business transacted by the company (companies selling their produce or manufactures in France or banks).

2. For companies floating loans, the proportion would be the ratio between the loans raised in France, and the total amount of capital of the company.

3. For firms buying in France, it would be the proportion of the working capital set aside for the French agency, to the total amount of capital.

4. For Insurance companies the ratio between the amount of premiums collected in France, and the total amount of premiums collected by the company.

The fixing of the "Quotité Imposable".

The proportion is fixed by the Authorities on the basis of particulars furnished by the company concerned which particulars are transmitted to the "Commission des valeurs mobilières". The decision taken by this commission is submitted for approval to the Finance Ministry, and finally communicated to the company.

However in case the company omits or declines to furnish the particulars required by the Administration, the proportion is fixed by the Authorities according to their own discretion.

Revision of the "Quotité Imposable".

The taxable proportion is not irrevocably fixed, but can be revised at the end of each period of 3 years.

Usually, some six months before the end of the current period of 3 years, the Administration forwards to the company a demand for information concerning the activities of the company, since the period which has elapsed since the fixing of the first "quotité imposable".

Companies whose business in France has diminished, can claim a reduction in the taxable proportion, by drawing up a demand on stamped paper which must be forwarded to the Administration with all documents in support of the statements contained in the demand. The application is examined by the "Commission des valeurs mobilières" to which we referred above.

VI. Settlement of the Tax.

Conditions under which the tax becomes payable.

The tax affects all proceeds and profits realized by the company and distributed to the shareholders. The collection of the tax is therefore subject to two conditions :

1. that a profit has been realized ;
2. that the amount of the profit has been distributed to the share holders.

We refer the reader to the details given in preceding chapter with regard to French companies concerning the limits within which profits are taxable.

Determination of the taxable income.

The taxable income is determined by the amount of dividend fixed by resolution of the shareholders General Meeting, or by decision of the Board of Directors.

"Sociétés en Commandite" (mixed partnership).

In the case of these companies, as the dividend is not fixed by the Board, the tax is calculated according to an income fixed arbitrarily at 8 % as previously mentioned in the case of French companies, taking into consideration the amount of the capital, and of the value at which shares in the partnership may be ceded, unless it can be shown that the company has been unproductive.

1. Shares.

Income tax must be paid on the amount of dividend or any other financial benefit distributed amongst the shareholders within the limit of the taxable proportion previously mentioned.

For example a company distributes amongst the shareholders a sum of 1.000.000 frs., the taxable proportion is 1/10° representing a taxable sum of Frs. 100.000; the tax on this amount at 18 % would be Frs. 18.000.

The tax is payable on the gross amount of the dividend paid to the shareholders, so that if the company bears the tax instead of recovering the amount thereof from the shareholders this would represent a supplementary dividend which is consequently taxable. We will suppose that a net dividend of 100.000 frs. has been distributed; tax would have to be paid on the gross amount of the dividend which resulted in the net distribution of 100.000 frs., namely

$$\frac{100 \times 100.000}{82} = 121.951,12.$$

The tax would therefore be :

$$\frac{121.951,12 \times 18}{100} = 21.951,20.$$

Provisional payment in respect of tax.

As it is impossible to ascertain the exact amount due for any current financial year, companies pay tax provisionally at the rate of 4/5ths of the income of the preceding financial year. If the current year is the first year of existence of the company, the tax is payable on an income fixed arbitrarily at 5 % of the capital.

At the end of the financial year, a definite settlement with the fiscal authorities must be made.

2. **Loans.**

The interest on loans contracted by foreign companies in France are subject to the tax, whether the loans are represented by debentures or not.

A distinction must however be drawn between loans contracted in France, and those contracted abroad.

a) **Loans contracted in France :**

Tax is due on the whole of these loans even if the foreign companies has no propertry or goods in France ;

b) **Loans contracted abroad :**

The tax is due on the interest of the funds obtained abroad by the foreign companies—but only within the limit of the taxable proportion referred to above.

3. **Profits or Bonuses distributed to Members of the Board of Directors :**

The tax is applicable to the total profits distributed to Members of the board of directors, provided that they are domiciled or resident in France, — a Director however occupying a position of Manager and being in receipt of a salary for his services as Manager would only be taxed under the heading of salary tax.

VII. Payment of the Tax.

Foreign companies must send to the Administration within twenty days from the date of the shareholders general meeting ;

1) A copy of the minutes of the general meeting of share holders, including the report of the Board and the resolutions voted by the shareholders ;

2) A copy of the profit and loss account.

On receipt of these documents the Administration calculates the tax due dor the financial year which has just closed.

Tax is payable in the town where the company has its principal establishment,—payment must be made quarterly within the first twenty days of January, April, July and October.

For sums distributed to the Board of directors, however, payment of the tax must be effected within 20 days,—of the date of distribution.

VIII. Repayment of Tax.

It may happen that tax has been paid without having been due if the company distributed no dividend,—for example, in case the company has been unproductive, or when in consequence of bankruptcy it has not been possible to pay the interest. In these cases the company may demand from the Administration reimbursement of taxes paid in excess.

IX. Right of Inspection of Books and Documents.

Companies subject to income tax must on demand produce to the Agents of the Administration any commercial books, or documents.

X. Penalties :

Fines may be incurred by a company through any of the following irregularities :

a) neglect to deposit the Statutes with the Administration;

b) commencing of commercial exploitation in France without having appointed and had approved by the Administration a responsible representative;

c) neglect to pay a cash guarantee if no representative is to be appointed.

d) delay in the lodging of the documents for the purpose of final settlement for a financial year;

e) delay in the payment of taxes;

In these cases the fine varies from 180 to 9.000 frs. for each contravention.

f) refusal to permit the inspection by the authorities of books and documents. In this latter case the fine varies from 1.800 to 18.000 frs.

It is however possible for companies which have incurred fines to send in a petition to the Administration for the remission of the fine, the petition being drawn up on stamped paper.

XI. Statute of Limitations.

Legal proceedings by companies for the repayment of taxes paid in excess become statute-barred after 5 years. Similarly proceedings taken by the Administration with a view to recovering unpaid taxes or fines are statute-barred after 5 years from the date on which the Administration was able to ascertain that the tax was due.

SECTION II.

Foreign Companies and Corporations whose securities are in circulation in France but who own no property or business in France.

General remarks.

Income tax not only applies to companies having property in France or undertaking business in France, but also the shares or debentures of foreign companies or corporations whose securities are in circulation in France are liable to the same taxes as French companies and at the same rate of 18 %.

Before the war foreign companies could without restriction introduce on the French market their shares and bonds, but since the law of the 3rd April 1918, no issue of foreign securities resulting in an exportation of capital from France can be made unless authorisation of the Finance Ministry has been obtained. This authorisation is but rarely granted in the case of new companies, but is generally given in the case of increase of the capital of foreign companies whose securities are already in circulation in France, as these capital increases often represent a profitable business for French capitalists.

It is moreover necessary to distinguish between securities which have an active market and those which are only dealt with in isolated transactions.

Formalities to be observed.

Whenever securities (shares, or bonds) of foreign companies or corporations are intended to be introduced into France for the purpose of frequent negociations, these securities are subject to the same taxes as French securities.

Before they can be introduced on the French market the companies must fulfil the following formalities :

1. Publish their statutes in the "Journal Officiel".

2. Make an undertaking to pay taxes, and in particular, income tax.

3. Have approved by the Administration a responsible representative who guarantees payment of the taxes, or alternatively, pay a deposit in cash as a guarantee for the payment of taxes.

There is no need for us to go further into these questions, as these have been dealt with,in particular the last two points in section I of this chapter,—it must however be noted that notification of the "abonnement" (this term has already been explained in connection with "Titres abonnés") of foreign companies or corporations is published in the "Journal Officiel", and it is only when this publication has appeared that the securities can be negociated in France.

I. Circumstances which give rise to the Tax.

Facts which render foreign companies or corporations liable to the payment of French taxes, are as follows :

1. Quotation of the securities in the official price list of a French Stock-Exchange.

"Agents de Change" (stock-bookers), whose prerogatives are defined by Law, are not permitted to accept securities for quotation without having assured themselves that the company who issued the securities has taken the necessary steps to regularise its position towards the French fiscal authorities.

2. The issue, application for subscription, or offer for sale.

The issue may be defined as the introduction on the French market of securities whether by the company or by a mandatory of the company. Subscription and offer for sale refer to an issue which has no fixed date for closing subscription lists, but is prolonged indefinitely.

3. Introduction of the securities into France.

This consists in the purchase by a banker of securities abroad, with a view to creating a market for them in France, and introducing them into France for this purpose.

4. Publicity.

Under this heading must be included advertisements in newspapers, or on placards, or boardings, or by any other means announcing the issue, the application for subscription, the offer for sale, or the introduction of the securities.

5. Appointment of Paying Agents for the securities.

This consists in the services rendered in France by a person resident in France, nominated by a foreign company or corporation, with a view to facilitating the reimbursement or transfer of the securities, and also of the payment of the coupons.

II. Responsible Representative-Guarantee.

The Fiscal Authorities take the same precautions towards companies and bodies whose securities are negociated in France, as towards companies owing property or goods in France,—we therefore merely refer the reader to the explanations given on this question under the heading of companies owing property or doing business in France.

The circulation of securities in France is only permissible from the date of which the Administration notifies its approval of the responsible representative, or from the date on which the Administration fixes the amount of the cash guarantee.

III. Quotité Imposable.

The taxable proportion is fixed in the same way as for companies as explained in section I (by the Commission des Valeurs mobilières).

If it is a question of shares remitted to France the taxable proportion is determined by the ratio between the shares circulating in France and the capital of the company,—for loans it is that proportion of the loan which has been placed on the French market.

Legal minimum.—The "quotité imposable" cannot, according to legal prescriptions, be less than 1/10 th of the capital for shares, or, for debentures, 2/10 th of the total debentures issued.

IV. Settlement of the Tax.

Payment of the tax must be effected as in the case of French companies, and on the same basis, except that the tax instead of being payable on all dividends distributed and interest paid, is only due within the limits of the quotité imposable.

For example : a Foreign company whose capital is Frs. 2.000.000 has placed Frs. 500.000 worth of its securities in France. If therefore no other factors influence the Administration, the taxable proportion would be fixed at :

$$\frac{500.000}{2.000.000} = 0{,}25 \text{ or } 25/100$$

If a sum of Frs. 100.000 has been distributed as dividend, the tax thereon would be calculated as follows :

$$100.000 \times \frac{25}{100} \times \frac{18}{100} = \text{Frs. } 4.500.$$

There is no need to go further into the question of settlement of the tax, concerning interest on loans, lottery bonds,and premiums on repayment of bonds, etc., as these proceeds are taxable within the limits of the "quotité imposable", in the same manner as income arising from French securities—it is to be noted however, that bonuses distributed to the Members of the Board are only taxable as far as those Members resident in France are concerned.

V. Payment of the Tax.

Payment of the tax must be made in the same conditions as for Foreign companies owing property or doing business in France.

We would point out that the tax is due during the whole time that the securities circulate in France, and the company can only be exonerated from payment of tax by supplying the Administration with satisfactory proof that the securities have been withdrawn from the French market. As a matter of fact Foreign companies cease to pay the tax from the moment the engagement of the responsible representative is terminated.

APPENDIX.

I. Foreign Companies and Corporations which are liable to the Tax both because they possess goods or property or do business in France, and also because their securities are in circulation in France :

These companies are liable to income tax firstly in the proportion of dividends or interest corresponding to that part of their capital invested in France, and secondly in the proportion of their securities circulating in France. However as the securities represent a part of the capital of the company, the total proportion of taxable income must not exceed the income of the securities in circulation in France, except when the business affairs of the Foreign company in France exceeds the business done by the Company abroad.

II. Tax on the profit on exchange of securities which are "abonnées."

When coupons or dividends of securities which are "abonnées" (i. e. as already explained for which the companies have given an engagement to pay the taxes direct to the Revenue authorities and have completed the necessary formalities) are payable with an alternative as to the currency e.g. the bearer may claim payment say in francs, sterling or dollars ; the tax of 18 % is payable, not only on the franc amount specified, but also on the difference between this franc amount and the francs realized by the conversion on of the foreign currency claimed by the bearer, in other words on the profit earned by him owing to the alternative currencies in which the coupons are payable.

Example: We presume a coupon is stated to be payable at the rate of either 25 frs., or £1. at the choice of the bearer,—French holders wishing to take advantage of the favour of exchange would choose payment in sterling the equivalent of which at present rates would be about Frs. 124. Of this amount the company would only pay 18 % on 25 francs. But the holder of the coupon will have ot pay 18 % on the difference between 124 and 25. The Banker who pays the coupon is responsible to the fiscal authorities for the deduction of this tax on the difference realized by the exchange.

PART III.

Income Tax on Foreign Securities not subject to the "Abonné Régime" and Loans of French Colonies, Annuities and Public issues of Foreign Governments.

Generalities.—Before the law of the 29th of March 1914, the foreign securities not subject to the "Abonné Régime" were also not subject to the income tax,—they were only subject to the stamp duties, which constituted an inequality which has since been rectified.

The following securities are subject to income tax :

1. The rentes, bonds and other securities issued by French Colonies and Protectorates. (The securities of the Colonial Companies and Societies are only subject to the taxes in force in the Colonies, and not liable to any tax in France.)

2. The rentes and bonds and all other securities issued of Foreign Governments, i.e. the securities issued by the entire nation and not by an official subdivision, province, or department.

3. The bonds, and loans of foreign cities, as well as of every other foreign public enterprise not subject to the "Abonné régime".

4. The shares, founders' shares, interest shares, sleeping partners' shares, bonds and loans of all kinds of foreign societies, companies, enterprises and corporations not subject to the "Abonné régime".

SECTION I.

Proceeds subject to the tax.

The dividends, arrears, interest and all other proceeds of securities mentioned above. However, the premium of refund of foreign bonds and lottery bonds are not taxable.

Persons subject to the tax.—It is necessary to distinguish between two cases :

1. The proceeds collected in France.
2. The proceeds collected in a foreign country.
3. Proceeds collected in France :

a) **By French people.**—French persons who collect coupons in France are always subject to the tax, even if they are domiciled in the Colonies or in a foreign country.

b) **By Foreigners.**—The foreigner who has neither a domicile nor a residence in France is not subject to the tax, it being understood that "domicile" refers to the principal establishment of a person. If a foreigner has, at his disposal, a residence in France, he will have to pay tax as well as French persons.

Furthermore, foreign bankers collecting in France the coupons of foreign securities, will have to pay tax unless the securities from which these coupons were cut are deposited in France in guarantee of a loan. The legislator fearing that banks might, with a view to escaping the tax, collect coupons belonging to persons subject to tax, decreed that only the securities given in guarantee should be considered as belonging to the banker. Such cases must be rare, as the law 3rd April 1918, forbids the granting of loans to persons or firms abroad by persons or firms resident in France.

Affidavit.

The foreigner who has neither a domicile nor a residence in France, is exempted from paying tax, but he must produce with his demand for exemption an "affidavit" which is a declaration made to a Diplomatic or Consular French Agent who certified as to the correctness of the declaration.

Form.—The affidavit contains the following particulars :

1. The declarer is not French.
2. That he is domiciled in a foreign country and resides there.

3. That he is not a banker and does not negotiate coupons as a profession, or if he is a banker, that the securities have been remitted by him to France as a guarantee.

4. That he is the owner of the securities from which the coupons have been detached.

5. The affidavit indicates the number, nature, and the value of the coupons.

6. It is dated and signed by the declarer.

There are two kinds of affidavits :

1. The affidavit for a sole due date, which indicates the equivalent value of the coupons at the rate of exchange on the date on which the affidavit was certified by the Consul.

2. The annual affidavit valid for all coupons belonging to securities deposited in France, which have fallen due within the preceding year, or which fall due within a year after the date of declaration.

Powers.—The powers of diplomatic and consular Agents are limited to their territory or district. For example, the French Consul in London cannot certify a declaration emanating from a person domiciled in Dublin.

Consuls have no right to sign collective affidavits drawn up by banks.

Duration of the validity.—On and after the certification by the Consul, the validity of the affidavit is limited to a year, i. e. the date of maturity of the coupons must not be later than a year after, or earlier than a year before the date of the affidavit unless the coupons in question have been detached from securities deposited in France.

The affidavit must be presented in support of the bordereau of coupons ; once the tax has been collected it is impossible to obtain restitution.

Special affidavit.—Reigning Monarchs, Presidents of Republics and Diplomatic Agents of Foreign Governments are exempted from the tax upon their simple declaration signed by the chief official representative of their country in France, exclusive of the Consuls.

Proceeds collected in a foreign country or received directly by the beneficiary.

When the proceeds are collected in a foreign country or for the account of a French person domiciled in France, the tax is due as in the case of the foreigner who is domiciled in France. A sejourn of limited duration is not sufficient, however, to render a foreigner liable to tax.

Taxable Amount.—The tax is calculated on the gross value of the coupons, after deduction of the foreign taxes paid by the bearer.

Exchange.—The tax is due on the value in francs and the conversion is made at the exchange rate on the date of payment.

Rate.—The rate which was 18% until the 31st December 1926 has been 25% since the 1-1-1927.

SECTION II.

Payment of the tax.

1. If the coupons are collected in France through a banker, the latter retains the tax and pays it over to the Treasury.

2. If the coupons are collected in a foreign country or received directly, the debtor has to affix adhesive stamps on the securities for the value of the tax, or to make a declaration of this income to the "Receveur de l'Enregistrement" within the first three months of the year, for the coupons collected abroad or received directly during the previous year.

SECTION III.

Penalties—Law suits—Time limitations.

Penalties.—Each infraction by the debtor is punished by a fine equal to five times the tax which should have been paid, increased

by five "tenths" i.e. 50% so that the amount payable is 7.50% of the tax of which the Treasury has been deprived. There is also a further fine of from Frs. : 180 to 18,000 for each infraction.

Furthermore, the bankers who have not retained the tax are liable to a fine of from Frs. : 180 to 18,000 increased by five "tenths" for each infraction in addition to which proceedings may be taken before a : "Correctional Tribunal".

Lawsuits.

The Civil Tribunals are competent in questions concerning this tax and the "Cour de Cassation" is the Court of final appeal. The "Tribunal Correctionnel" is, however, competent in matters of contraventions on the part of bankers.

Time Limitations.

The fivefold duty does not become statute barred until after ten years, so that the tax and proportional fines may be claimed for a period of ten years from the date of discovery of the contravention.

On the other hand, the variable fine of from Frs. : 180 to Frs. : 18,000 becomes statute barred after five years.

PART IV.

Tax on the Income arising from Claims, Deposits and Cash guarantees.

General Remarks.—As we have seen the tax on income from securities is applicable to dividends, interest and all other proceeds distributed by Companies or Corporations, whether French, Colonial, or Foreign. However, the income from loans such as those contracted by partnerships (Société en nom collectif) or by private individuals are not taxed. The law of the 31st of July 1917 was passed in order to extend the income tax to a series of kinds of revenue which had escaped tax according to the law of 1872. The rate of this tax is 18%.

SECTION I.

The scope of the tax.—The tax is applicable to interest, arrears and all other proceeds arising from book-debts or claims, deposits and cash guarantees.

Taxable income.—In order to be taxable the income must come directly from the credit of the deposit or of the security. For instance, the tax is not due on a commission collected by a banker in addition to the interest given to his client, if the commission represents an allowance for a service rendered.

Claims.

a) *Civil claims.*

A tax is due on claims, whether privileged, ordinary or based on a mortgage whatever their origin and whether resulting from a loan, a sale, a cession, a judgment or of a donation. The tax on

interest is due by the debtor whoever he may be viz. private individuals, collectivies, Governments, Departments, or Communes. It is immaterial whether the security for the claim be a mortgage on landed property situated in a foreign country.

A tax, however, is not due on :

1. The arrears of a life-annuity which is subject to a special tax. (See page 27.)

2. The rent of landed or movable property, for which a special tax is also due.

b) *Commercial claims.*

No tax is due on the interest of claims having a commercial origin and not having the judicial characteristics of a loan, because the interest on these commercial credits is included in the profits realized by the traders, and so are subject to the tax on industrial and commercial profits.

It is often very difficult to determine what is a credit not having the judicial character of a loan, and consequently to know what proceeds are taxable as interest and what on the contrary are subject to the tax on Commercial and Industrial profits.

It can, however, be asserted without hesitation that the interest on the sale price of goods and the profits resulting from the discounting of Bills of Exchange and other negotiable instruments are included in the last category.

On the contrary, loans granted in consequence of the opening of a credit by a banker, even to traders, are subject to the tax on interest in the same way as the interest on sums advanced against securities pledged in guarantee.

Current accounts.—There is one category of claims arising from a special contract, the interest of which is not liable to income tax, namely, the contract of Current Account.

The Current Account is a contract by which two persons, who are in business relationship, decide to inscribe in one account all claims or book-debts which arise between them during the course of their business, only the balance of the account and not the items composing the balance, being claimable by the creditor. The agreement may be made for a specified period or without a fixed time limit ; in other words, by this means, various distinct transac-

tions are settled by a single operation. Usually the contract of Current Account is utilized by traders by reason of the numerous operations which may be recorded in a single account. The sums credited to a current account, by each of the parties to the contract, are known as remittances and represent such operations as sale of goods, discount of bills of exchange, advances, payment of cheques, etc.

Each operation is not settled specially but is merely recorded in the account, settlement only being made at the moment of balancing of the account. It is only when this balancing takes place that it is possible to ascertain which of the two parties is creditor of the other. As long as the account exists there is neither creditor nor debtor.

As a consequence interest credited or debited to a current account does not represent the proceeds of *claims* and is consequently excluded from the tax. As a matter of fact it is a very delicate question to decide whether there exists a current account or not, but without entering into considerations which would be beyond the range of this work, we may mention that the administration considers as Current Accounts those accounts which traders open with banks, and to the credit of which are placed the proceeds of the discount of their bills of exchange etc. endorsed to the order of the banker, and, furthermore, the accounts which traders open with their suppliers to the credit of which they pay from time to time amounts according to the funds available, and to the debit of which are placed sums representing the cost of the goods supplied.

Deposits.—With regard to the interest on deposits or investments the law does not admit of any exception for commercial operations. The funds deposited, payable on demand, or at a fixed maturity, whoever may be the depository, public establishment, bank, trading house, private individual, and whatever may be the purpose of the deposit (private interest or commercial operation) are subject to a tax. But the interest on these deposits, which is subject to the present tax, is not liable to the tax on Industrial and Commercial Profits; but before deducting the interest on deposits from his total income for the calculation of Commercial Profits, the trader must charge to his gain from the interest a percentage of the General charges and expenses of his business.

The Treasury has however decided that the deposits between bankers are not liable to a tax, those deposits having a commercial

character. If the deposit is made to a company subject to the Income Tax in virtue of the law of 1872, the said Society must pay the tax if the deposit has been made in their favour, i. e. the deposit should be considered as a loan to the company nervertheless, the company may by agreement recover the tax from its creditors, or may on the contrary bear the tax itself.

Bonds (Cautionnements).—It sometimes happens that officials, employees, or Managing Partners of a Society must give to the Government or to their employers a "Cautionnement" (bond) in cash in order to guarantee their administration ; the interest collected on these guarantees is subject to the tax.

SECTION II.

Conditions in which the tax becomes due.—The tax is due by the simple fact of a payment of interest, in whatever manner it may be made, or of its inscription to the debit or credit of an account, even if the debtor is insolvent.

SECTION III.

By whom the tax is due.—The creditor is liable to the tax notwithstanding any clause stipulating the contrary (e. g. making the debtor liable for tax) ; nevertheless the creditor and debtor are jointly responsible toward the administration for payment of tax.

SECTION IV.

Settlement of the tax.—The tax is settled on the gross amount of the interest collected by the creditor without the possibility of deducting the expenses incurred in collecting the interest.

The rate of the tax having been modified several times, the Treasury admits that for interest collected after the due date, the

applicable tariff in the one which was in force on the date of *payment* of interest, and not necessarily on due date of interest.

Rate of the tax.—The rate of 18% has been charged since the 1st of January 1927, and is still in force.

SECTION V.

How the tax is paid.—The tax is paid as follows :

1. By affixing adhesive stamps to the documents vouching for the payment viz : on the accounts, on the receipts, on the notarial deed. These stamps are obliterated by the creditor.

2. By a declaration filed at the Enregistrement within the first three months of the following year, when the interest has been paid without being stated in a document. It is the same when the payment is made, outside of France, to a creditor subject to the tax.

3. When bankers and traders are authorised to retain the tax on interest of the credit and debit accounts opened on their books,—to credit an account held in a special register, and to pay over monthly the corresponding amount to the Treasury.

SECTION VI.

Exonerations.—Creditors not domiciled in France :

The tax is only due when the creditor has his domicile or habitual residence in France, or possesses there an industrial or commercial establishment from which the credit, deposit or bond (cautionnement) depends.

The tax is not due by people who, although they may have accounts in French establishments, or who are creditors of people domiciled in France, have themselves no residence or domicile in France ; by France it must be understood the Mother Country to the exclusion of her colonies.

A Frenchman domiciled in a foreign country is not subject to the tax. The sojourn of a foreigner in a hotel in France is not a proof of his residing in France, especially if he does not stay longer than six months.

Diplomatic Agents, Ambassadors, Councillors and Secretaries of Embassy, are not subject to the tax. This exoneration, however, is not applicable to Consuls.

Interest on the following accounts is also free from tax :

1. Amount inscribed on the books of Savings Banks.

2. Mortgages granted by the Crédit Foncier de France with the funds resulting from the bonds issued by them.

3. Advances granted by French Banks to traders and industrials residing in France, when the amount so advanced emanates from the issue of debentures, the interest on which is already liable to income tax.

4. On sums due by the Government to persons whose property has been damaged or destroyed as a direct consequence of the war, as well as the interest on loans contracted by these persons under the guarantee of the Government.

5. Interest paid by societies of Agricultural credit, and by Agricultural "cooperative" societies.

6. Interest on loans granted by societies for the erection of Cheap Dwelling houses, Public Baths or Workmens' gardens. Interest on the loans granted to private individuals by Savings Banks or by the State Pawnbroking Business—the interest on which belongs to the Government—also on advances to purchasers of Cheap Dwelling houses.

SECTION VII.

Restitutions and Deductions.

Tax unduly collected is restored, but the restitution must be claimed from the Treasury by means of a petition drawn up on stamped paper.

Securities deposited as guarantee.—If a debtor has handed over as a pledge securities subject to income tax, he may obtain reimbursement of this tax from the amount of the taxes collected on the interest, but on condition that the debtor has paid the income tax on the securities in question. He, therefore, would not obtain a restitution if the income of the said securities was paid free of income tax, i. e. if the Society had paid, and not recovered from the shareholder, or bondholder the amount of the tax.

Real estate applied to the guarantee of an advance.

The landlord of real estate which has been mortgaged has the right to obtain a reduction of taxable income for purposes of property tax, equal to the interest on his debt. This reduction must be claimed within three months of the payment of the interest.

Unsecured debts.—If it is a question of a credit which is not guaranteed by a mortgage or a pledge of securities, the debtor may obtain a reduction on his various incomes corresponding to the interest paid by him. A trader will deduct from his profits the interest paid by him for the requirements of his business, if tax has already been paid on this interest.

SECTION VIII.

Penalties, Law-suits and Time limitations.

1. **Penalties.**—Neglect to pay tax by the affixing of stamps is punishable by :

a) A fine of Frs. : 90 for which both the creditor and debtor are liable.

b) A fine equal to five times the tax which the taxpayer had tried to avoid.

This fine is payable by the creditor. To the amount of the fine must be added two and one half tenths, so that the total of the fine is 7.50% of the amount of the tax which the taxpayer has endeavoured to avoid.

If it is a question of contravention relative to the posting of interest to the credit of an account, the creditor is not responsible for the inscription omitted by his debtor, and it is the latter who alone is liable for the fine of Frs. : 90. If it is a question of debit interest on which the tax has not been paid by the creditor who passed the entry to the account, a fivefold duty is payable by the creditor.

2. **Law-suits.**—The competent tribunal for judging cases relative to this tax is the Civil Tribunal, the "Cour de Cassation" being the final court of appeal.

3. **Time limitations.**—The Administration has a right of action to recover the tax and fines for a period of five years. The fivefold duty may be claimed during a period of 10 years after the year in which the contravention has been discovered.

CHAPTER XV

DEATH DUTIES

General Remarks.

In France, no trustees are appointed to administer the estate of a deceased person. The responsibility, both as to debts incumbent on the estate and as to Death Duties, rests with the heirs.

The Duties consist of :—

1. Transfer duties;
2. Legacy or succession duty.

Transfer duties are based upon a progressive tariff which increases considerably according to the importance of the estate, accruing to each heir, and the distance in the relationship between the heirs and the deceased.

Legacy or succession duty is also progressive but is only levied where the deceased does not leave at least four children alive; the rate of this duty decreases with the number of children and increases according to the value of the whole estate.

I. **Successions "ab intestat"**.—This principle being established, it appears indispensable to set out briefly the order in which the relatives of the deceased are entitled to the estate. The law has divided the relatives into four groups viz. :

1. Descendants.

2. Privileged ascendants (father and mother) privileged collaterals (brothers and sisters) and their descendants.

3. Ascendants.

4. Collaterals.

Heirs of the second group are only entitled to the estate in case no representative belonging to the first group exist ; those of the third group only in case no representative of the second group exists, etc.

This is an absolute rule for the descending lineage but in default of descendants, or of privileged collaterals, the law divides the estate into two equal shares, one part for paternal and the other for maternal relatives. The case may arise that in an estate the lineage on the father's side is represented by the nearest relative, i. e. the father, whereas the lineage on the mother's side is only represented by very distant collaterals. The estate is nevertheless divided into two groups corresponding to the two lineages. However, in each lineage the priority rule applies and the ascendant takes precedence over any non-privileged collateral.

Between relatives of the same group, it is the nearest who inherits. Every generation is considered as a degree, and the various degrees of relationship form a lineage. A son is with regard to his father the first degree, a grandson the second. The totality of the degrees beginning from the father is the paternal lineage, beginning from the mother, the maternal lineage.

It is however to be noted that children of predeceased parents have a claim on the estate as well as heirs of a nearer degree should the deceased parents have been entitled to inherit part of the estate. This is what is called "representation".

Thus, the grandson takes the place of his deceased father in the estate of his grandparents and competes with his uncles and aunts. In case of several children representing the father, the shares of the father is to be divided between them.

The above rules apply to legitimate children. It must, however, be mentioned that illegitimate children have a claim on the estate as well as legitimate relatives, but an illegitimate child would find his share reduced should he be in competition with legitimate

children or even privileged ascendants or collaterals. In all other cases the rights of an illegitimate child are the same as those of a legitimate child.

Illegitimate children have no claim on the estates of their father's or mother's relatives.

Surviving Spouse.—The surviving spouse is only entitled to the estate when the deceased leaves no relatives of a degree enabling them to inherit, or when there are no illegitimate children.

However, in case of the spouse not inheriting, he or she enjoys the ususfruct of half the estate if there are no children, and of a quarter when there are children.

These are the principles governing "ab intestat" estates (estate where no will was made). We shall only deal very briefly with *testamentory successions.*

II. Testamentary successions.—A person having as heirs relatives in direct line, i. e. descendants or ascendants, cannot dispose of the whole of his estate by will. The part of which he cannot dispose except in favour of the above mentioned relatives is called the reserve, and the remainder of which he may dispose of by will is the "available portion".

The heirs in whose favour a legal reserve is made are :

1. All legitimate descendants, whatever their relationship to the deceased may be.
2. All legitimate ascendants, exception being made for those excluded by descendants or privileged collaterals.
3. Illegitimate children.

These principles of civil law have been followed by the fiscal law in fixing the percentage of the duties, by taking into consideration, to a certain extent, the degrees of preference between the relatives of the deceased.

ADMINISTRATION DE L'ENREGISTREMENT, DES DOMAINES ET DU TIMBRE

No. 117
(Sept. 1925)

DEPARTMENT

BUREAU

FORM OF DECLARATION OF FUNDS OR PROPERTY
TRANSFERRED BY DECEASE

Price: 2 cent. 1/2 (Law of the 25th February 1901)

Annexe A

The declarations of transfers of funds or property by reason of decease are drawn up on forms furnished by the Administration. They are signed by the heirs, donees or residuary legatees, their guardians or trustees. They are written by the Receiver if required by the parties. (Law of the 3rd December 1927, Art. 11)

The price of these forms is 2-1/2 centimes and 5 centimes. (Law of the 25th Febr. 1901, Art. 22)

Debts for which a deduction is claimed must be specified detail by detail in a separate statement, drawn up on unstamped paper, signed by the person making the declaration, and deposited with the declaration as an annexe thereto. (Instr. 3058-32)

With regard to the loans contracted by the deceased with the Crédit Foncier, it is required in support of the demand for reduction, to have a statement from this institution certifying the existence of the debt at the time of death and giving the exact details of the loan at date of death. (Art. 6 of the law of the 15th February 1901) (Instr. 321741)

Do not write in this column.

Estate de M...

I (or We) the Undersigned....
(Name, Christian names and domicile of the Declarer.)

acting in the capacity of....
(Heir, Legatee, Donee, Guardian, Trustee, Mandatory.)

declare that M....
(Name and Christian names of the deceased.)

aged.... of.... nationality.
(If the deceased is not French.)

widower or widow of / husband or widow of / batchelor ....

profession....

domiciled at....

died at....

on....

Specify the full names, domiciles, and degrees of relationship of the heirs and /or legatees with the deceased; analyse the terms of the will and the clauses of the marriage contract; specify the goods, property belonging to the estate (1st, property belonging to the husband and wife in common if it is a "community" between them; 2nd, property belonging personally to the deceased).

Annexe B

NOTE.—At the foot of the declaration each declarer writes in his own handwriting : "The declarer affirms the present declaration contained in (number) pages, to be sincere and true. He also affirms under the penalties decreed by article 8 of the law of the 18th April 1918, that this declaration comprises the cash, funds, credits, claims and all other French or Foreign securities, chattels, which, to his knowledge, belonged to the deceased, either totally or in part. (He approves ..... words crossed out as void.)

The declarer then dates and signs the declaration. He approves separately each alteration or addition, if there are any, by initialling each one.

The penalties imposed by Article 8 of the law of the 18th April 1918 on any person who makes a fraudulent statement in the above declaration, are those stipulated in Article 366 of the Penal Code against false civil matters, namely : from one year's imprisonment at least to five years at most, and a fine of Frs. : 100 to Frs. : 3,000 without prejudice to the additional penalties which are included in Article 366 above mentioned.

LIQUIDATION DE L'IMPOT PAR LE RECEVEUR.

Le Receveur,

Do not write in this column.

SECTION I.

Circumstances which render the tax payable.

Death duties become payable by the mere fact of the death of the deceased—and the commencement of the settlement of his estate.

Law applicable.—The fiscal laws in force at the time of the death are applicable.

Renunciation.—The heirs can only relieve themselves of liability to pay the duty by definitely renouncing the estate.

SECTION II.

Declaration of the estate.

Any inheritance, whether in absolute ownership or merely in usufruct, must be declared by the beneficiaries at the Registration office competent to receive such declaration.

Declaration of estate is made on printed forms which may be obtained from Collectors of Registration duties.

A specimen of declaration (translated) is given hereunder.

As will be seen therefrom, the declaration contains all the information necessary to facilitate the collection of the duty, and particularly the description of the real and personal estate.

This declaration must bear at the end a declaration written in the handwriting of the declarant,—the object of which is to bring to his attention the serious consequences which may result from a false declaration.

Payment of duty must accompany the declaration.

If the declaration is lodged by a representative, the power of attorney given by the principal in favour of the representative should be deposited with the collector. Documents to justify the deduction of liabilities from the total assets of the estate, and especially an attestation of the creditors, must be produced ;— should there be any person enjoying usufruct of any portion of the estate, his or her birth certificate should be produced.

Office where the Declaration should be lodged.

The office is that for the district in which the domicile of the deceased is situated. If a foreigner, without having a legal domicile in France, is in fact permanently resident in France, it is the latter residence which fixes the competency of the office where the declaration is to be lodged. If a person domiciled abroad dies in France, it is still at the place of death that the property situated in France must be declared.

If the deceased who was not domiciled in France likewise died out of France, the declaration may be lodged with the offices specified by the "Administration" namely Paris 1st Bureau, Annemasse, Annecy, Belfort, Bordeaux, Boulogne, Briey, Lille, Lunéville, Lyon 1st Bureau, Nancy, Nice, Marseille 1st Bureau, Pau, Perpignan, Pont-à-Mousson. All estates not notified within the legal time limit must be declared at Paris 1st Bureau.

People liable to the Declaration.

The declaration must be made by the heirs in case of an "ab intestat" estate, and by the legatees when it is a testamentary will. Should there be several heirs, they are jointly bound to file a declaration. This joint liability does not apply to the legatees who must each file a separate declaration regarding the share to which they are entitled.

Time Limit for lodging the Declaration.—The declaration should be delivered by the persons previously indicated within six months after the death, if the deceased died in Franee, and within eight months if the deceased died in any other country of Europe or Algiers, Tunis and Morocco. The time limit is one year when the "de cujus" died in any other part of the world.

SECTION III.

Property to be stated on the Declaration.

Death duties are leviable upon the value of all property which belongued to the deceased at the date of death.

The expression property includes.

1. Real property.
2. Personal property.
3. The proceeds of sale of such property as well as any money or investment representing the proceeds of sale.

Such property includes.

a) Stocks and shares, personal property and chattels and real estate on which the deceased had a life interest, the bare ownership being attributed to his heirs, donees or legatees unless proved to the contrary.

b) Bearer stocks and shares found at the deceased's domicile, in his safe, or deposited in his name, in a Bank.

c) Stocks and shares of which the deceased has received dividends within one year before death of which the heirs, donees (mortis causa) or legatees are in possession at the date of death.

French Securities held under a trust.

Securities held by the deceased in virtue of a power of attorney or a deposit and for which the heirs can furnish proofs can be relieved of the presumption of ownership by the deceased. This is especially the case for French securities bequeathed by a British woman married under common law, with a stipulation of a trust in favour of a third party. According to this stipulation the woman transfers to her trustee the mere possession of the securities which remain her property. Consequently, these securities thus placed under a trust become at her death subject in France to death duties. On the other hand, these same securities cannot at the

death of the trustee give rise to death duties, provided that the quality of the trustee is indubitably proved by the nature of his documents of title or by any other proof.

Interest and Arrears due or in course at the day of death.

The interest must be declared with the exception of amounts which prior to the death have lapsed by reason of the statute of limitations (5 years).

Likewise arrears of pension and of life annuities or perpetual incomes (unless it is stipulated that payment is to be made in advance) must appear on the declaration, but only for the proportion of the number of days between the last due date and the date of death.

It is however different for interest and dividends on securities quoted on the Stock Exchange and for shares of the Bank of France, as such interest or dividend is included in the price on which the taxable value of the securities has been calculated. However, the interest and dividends must be declared when the holder of the securities dies during the 15 days between the detaching of the coupon and its date, as they are then considered as forming a special claim.

Sale price payable by yearly instalments.

Death duties are limited to the part of the annual payments representing the capital, the part representing the interest being excluded.

Joint or collective accounts.—Joint accounts are not held in favour by the French law. The authorities realize that such accounts may be utilized in order to avoid death duties. Consequently, stock, funds or securities held in such accounts are considered, for the purpose of payment of duty, as being the joint property of the depositors, and unless proof of the contrary is given, are dependent on the estate of each of them in equal shares.

For these accounts (which must be reported to the Registration Office within 3 months), the institution at which the deposit was lodged must, within 15 days of the notification of the death, furnish the Registration Office with a list of the stocks, funds or securities standing at the date of the death to the credit of the joint

holders of the account. This also applies to accounts opened in the name of a civil partnership.

Partnership.—The above regulations are not applicable to deposits made in the name of a commercial Partnership, the whole account being in fact the sole property of the body corporate personified by the Company.

Renting of safes.—The opening of a safe (either after the death of the tenant, or after the death of the spouse of the tenant, or in the case of joint-tenants, after the death of one of them) must not be undertaken except in presence of the heirs, of a Notary who must draw up report of the proceedings and, further, of are presentative of the Enregistrement.

Property forming part of the Estate of a Bankrupt.—When a Bankrupt dies before the sale of his assets by the trustee, the whole of the property comprised in this estate must be declared for its integral value, proved debts dependent on the estate being deducted.

Life Insurance.—Death duties are only due in case the deceased contracted the assurance with a view to making a gift to the beneficiary. It is however otherwise if, for instance, the beneficiary is a creditor holding the policy in guarantee for an advance granted to the assured.

Insurances contracted abroad.—These assurances are free from death duties provided that the assured, whatever his nationality, had not in France at the time of his death any domicile, either in fact or in law. It is however to be noted that the law regulating in France the export of capital, precludes people residing in France from contracting life assurances abroad, except after having obtained an authorisation from the Ministry of Finance.

Foreign and French assets included in the estates of foreigners.

I. Civil Law. Determination of the law applicable to the succession.

a) *Estate comprising real estate in France.* The doctrine and jurisprudence are unanimous in admitting that the real

estate left in France by a foreigner comes within the jurisdiction of the French courts, and is subject to French law as regards the devolution, the relationships and the fixing of the available portion without taking into consideration whether the deceased was or not domiciled in France, and even in the case of the estate being exclusively in favour of foreign heirs. Consequently this real property would be divided amongst the heirs of the deceased even in the case of the latter having made a will disinheriting his children.

b) *Estates comprising personal property in France or abroad.* On the other hand, it has been judged that as regards these estates, it is necessary to comply with the law of the domicile of the deceased, at the same time however making a distinction between the legal domicile and the domicile "de facto".

1. The estate of the foreigner regularly admitted to domicile would be subject to the principles of French law for all questions concerning the devolution of the property and the fixing of the share due to each heir.

2. If on the contrary, the Foreigner had in France merely a domicile de facto, his personal estate would be treated in the same way as that of a Foreigner admitted to domicile, as regards the declaration and the payment of the duty in France ; but it has been judged that this estate would be governed by the law of the country of origin of the deceased as regards its devolution and the settlement of the individual share of each of the parties entitled to inherit.

In this sense, it has been judged that when an Englishman, married in England with no marriage contract, dies in France without having acquired a legal domicile, the devolution of his personal estate should be governed by British law and therefore one third should be alloted to the wife and the remainder to the children and it is in accordance with this distribution of the inheritance that the death duties in France should be settled.

Exception.—However when the national law of the deceased regarding the settlement of questions relative to personal status, refers back to the law of the country in which the estate is situated, the devolution of the personal estate is governed by French law.

The foregoing remarks concerning the estate of a foreigner who has only a domicile "de facto" in France also apply to the personal estate in France of a foreigner domiciled in his own country.

Evidence to be produced insupport of the Declaration.—The heirs wishing to claim application of the national law of the deceased must furnish the Tax collector with a certificate of custom established by a foreign lawyer certifying the dispositions of foreign law which apply to the case. In default of this document the declaration must be made as if the devolution of the estate were governed by the French law.

II. Fiscal Law.

Real property situated in France comprised either in an estate of a foreigner domiciled in France in law or de facto, or forming part of the estate of a foreigner not domiciled in France, is liable to French death duties.

Real estate in foreign territory is outside the juridiction of French fiscal law irrespective of the nationality of the owner (French or Foreign).

Personal property.—The French fiscal law makes a distinction between the claims or debts due to the deceased and which are known as incorporeal assets (in English law "choses in action") whereas household goods or chattels having a material existence, are known as corporeal assets ("choses in possession").

Incorporeal values.—Death duties are payable on any incorporeal foreign security comprised in an estate of a foreigner domiciled in France in law or *de facto*.

The following estates must be considered as subject to French fiscal law :

1. The estates of foreigners having been legally recognised as having their domicile in France.
2. The estates of foreigners having a permanent residence, though not a legal domicile in France (domicile de facto).

3. The estates of foreigners having resided in France but domiciled and deceased abroad, provided the deceased has by marriage contract directed that French law be followed regarding the devolution and the division of his estate.

For these estates, the declaration must include all foreign securities, claims or debts in addition to the French corporeal or incorporeal assets forming part of estate.

Legal domicile.—Admission to domicile referred to in art. 13 of the Civil Code is usually the preliminary to the naturalisation of a foreigner.

This admission is usually granted after a petition has been addressed to the "Garde des Sceaux" (Keeper of the Seal) and when an administrative enquiry has been made, provided that the Foreigner has indeed taken up residence in France.

The said admission to domicile entitles the Foreigner in France to full civil rights. The effects of this authorisation expire after 5 years, should the foreigner not make a request to become naturalised or should the petition be rejected.

Domicile "de facto".—Amongst circumstances liable to prove domicile in fact in France, the following may be noted :

— The prolonged and uninterrupted sojourn of the deceased in France.

— The drawing up of his will in France.

— The wording of the death certificate, mentioning a domicile in France.

— The fact of the deceased having been a Bank Manager in France for several years.

— Burial in plot reserved by perpetual concession, in a French cemetery.

— The fact of having deposited his foreign securities in a Bank in France (Judgt. Trib. Seine, 4-8-1923).

— The fact of the deceased having acquired in France important real estate, especially the purchase or the renting of a large private house in Paris where the deceased settled together with his domestic staff and from which he was only absent for short periods, and especially as he paid in Paris the personal property tax (cote personnelle mobilière, Cass. 1-7-1895).

— The fact of having declared in official documents or deeds drawn up in France that he was domiciled in France (Nancy, 1-3-1904).

— It has been decided recently that a foreigner deceased in France who lived in Paris for several years in a large private house rented for 12, 15 or 18 years with an annual rent of Frs. 50.000 and where he had installed a picture gallery and artistic collections must be considered as having acquired a domicile de facto in France.

However these circumstances may vary with each case and it has, on the contrary, been decided that the fact of a foreigner living in Paris in a luxurious apartment (flat), paying personal property tax, and having an account in a Bank in Paris was not sufficient to prove domicile "de facto" in France, as he owned in his country of origin real and personal property of far greater value than that left in France.

Corporeal assets. The Supreme Court of Appeal has decided by a judgment (28-1-1880) that death duties could not be extended to corporeal properties especially to chattels situated abroad and which belong to the estate of a foreigner domiciled in France.

Personal property included in the estate of a foreigner not domiciled in France.

For these estates the declaration should include all the French property of the inheritance i. e. real and personal property, corporeal or incorporeal left by the deceased and having their site in France. Property "situated in France" must also include property situated elsewhere if they depend upon a Company situated into France— e. g. securities may be deposited with a Bank alroad,—and therefore come within the foreign property of a person; but if the company

or body which issued the securities (the debtor) is situated in France, the securities must be declared as part of the French estate.

For instance the tax is due on :

the furniture, the petty cash and Bank notes found in France in the apartment of a foreigner residing in France at the time of his death, but not having acquired either a legal domicile or a domicile "de facto";

on the business carried on in France by the deceased;

on incorporeal securities having their site in France, and especially on securities in respect of the Public Debt, French Government annuities, Bonds, Treasury Bonds, which have their legal site in Paris (seat of the Government) (Trib. Seine 1 and 11-3-1915);

the sums due by a French debtor included in the said estate.

It has been judged that the legacy of a sum of money to a Frenchman, by a foreigner not domiciled in France is liable to legacy duty, should the bequest be delivered in French securities or paid in France out of an account kept by the deceased with a Bank in France.

Extra-territoriality of a member of the Diplomatic Service.

Members of the Diplomatic service are considered as having kept their domicile in the country they represent and the premises in France reserved for their private dwelling and their offices are regarded as being in Foreign territory. Consequently the personal property found therein is legally excluded from death duties.

This immunity however is not extended to the premises, stocks, claims and other property situated in France and forming part of the private fortune of the members of the Diplomatic service.

Problem of the double taxation.

Let us take the case of a foreigner,—say an Englishman—who dies in France, where he has acquired a domicile "de facto". With regard to succession duties, the French fiscal authorities consider the succession as being governed by French Law, and the heirs would have to pay duties on all the property situated in France,

whether personal belongings or real estate. In addition, they would have to pay on the foreign securities, even if deposited in England, and also on claims on foreign debtors. Only the real estate and chattels situated abroad are exempt from tax.

In England the heirs would have to pay on the real estate which the deceased owned in England and also on the securities deposited in England, and even on those elsewhere if their "seat" is in England.

The transfer of nominative securities (which are very common in England) could only be effected after payment of the duties.

These possessions are therefore taxed twice, so that the heirs receive only a small percentage of the actual estate.

This problem of double taxation has received the attention of business people and statesmen, and an attempt is being made to solve the difficulty through the medium of the League of Nations, but in the meantime we can only strongly emphasize the necessity for persons interested of taking all possible precautions against an exhorbitant double imposition.

SECTION IV.

Taxable value of the property transferred by death.

Furniture.—The taxable value of the furniture and chattels should a public sale not have taken place within two years following the death, is calculated at 60 % of the estimation quoted in the fire insurance policies in course at the date of the death taken out at least 10 years before this date. In default of a deed of sale or of insurance policies, the value is worked according to the estimation quoted in the inventory; however, the value of the furniture, except on proof to the contrary should not be below 5 % of the total of the other personal and real property.

Goodwill of business.—The heirs must make an estimated declaration or obtain a survey by an expert if necessary.

French and Foreign securities.—The value of these securities regarding the payment of death duty, is fixed by the average rate of the Stock Exchange on the day of the death.

Securities not quoted on the Stock Exchange.—A declaration is to be made by the heirs, in which an estimate is given of the value.

French National Defense Loans and Bonds (Bons et Obligations de la Défense Nationale).—The bonds should be declared for their nominal value. The heirs should make a declaration estimating the value for Bonds which are similar to securities quoted on the Stock Exchange.

Valuation of the Real Estate.—The real estate is valued according to the real value at the date of the death and in accordance with the estimated declaration of the heirs.

If the real estate is sold within 2 years before or after the death, the duty is based on an amount at least equal to that of the transaction.

Estimate of the usufruct and of the reversionary property.—If the usufructuary is under 20 years of age, the usufruct is estimated at 7/10th and the reversionary ownership at 3/10th. Over this age the proportion is decreased for the usufruct and increased for the reversionary ownership by 1/10th per period of 10 years without any fractions. Should the usufructuary be 70 years of age, the proportion is fixed at 1/10th for the usufruct and 9/10th for the reversionary ownership.

Age of the usufructuary	Estimate of the usufruct	Estimate of the reversionary ownership
Under 20 years of age	7/10th	3/10th
„ 30 „ „	6/10th	4/10th
„ 40 „ „	5/10th	5/10th
„ 50 „ „	4/10th	6/10th
„ 60 „ „	3/10th	7/10th
„ 70 „ „	2/10th	8/10th
Over 70 „ „	1/10th	9/10th

SECTION V.

Formation of the hereditary assets.

Bases of death transfer duty.—The percentage of the death duty does not only increase with the degree of relationship of the heirs or legatees but also increases in accordance with the net share received by each party. This duty is paid according to the net value of each hereditary share.

Estate of the husband who has adopted the regime of common ownership with his wife.—The fundamental regime according to common law in France is that of the community system.

The conjugal community is the theoretical partnership in goods and interests existing between the husband and the wife.

The assets of the community comprise :—

1. All the present and future household property of the spouses (corporeal and incorporeal property).
2. The profits and income of their personal property.
3. The purchases and the acquisitions of the community i.e. premises purchased in common by the spouses during their marriage.

In case of dissolution of the community, each spouse or his heirs withdraws his share, i.e. :

1. His or her private property which was not placed in community should this property materially exist or the property acquired in replacement thereof.
2. The price of the real estate sold during the community should this not have been replaced.
3. The indemnities due to him or her by the community.

The estate of the husband in community of property must be declared as comprising on one hand the amount due to him by the community, before any deduction is made regarding the

common liabilities, and on the other hand, half the remainder of the common property, deduction to be made of half the liabilities of the community chargeable to the estate.

Matrimonial regime for foreigners with or without a contract.—In case of a contract preceding the marriage, the spouses must comply with this contract which settles their pecuniary interests. Should the contract be incomplete or give place to doubt on certain points, it should be completed or followed according to the law of the matrimonial domicile.

Should there not be any contract, enquiry should be made as to whether the spouses wished to come under foreign law or on the contrary adopt the community system created by the French civil code.

a) **Marriage of a Foreigner and a French woman.**—It has been judged that a Foreigner married in France with a Frenchwoman with no contract is considered as being under legal community system, if at the time of his marriage he was duly established in France and remained in France until his death with the intention of not returning to his country of origin.

On this supposition, death Tax is due at the death of the Foreigner, on only half the property acquired during his marriage, even in case if the law of his country entitles him to the full ownership of these goods and property.

b) **Marriage contracted in France by two Foreigners.**—If the spouses when marrying expressed the wish to follow the regulations of their own law, they remain subject to the law of their country of origin.

On the other hand, the marriage with no contract in France of two foreigners is subject to the legal community system when their intention to comply with this ruling is shown by the circumstances and especially by the fact that they were domiciled in France at the time of their marriage.

Spouses married abroad without a contract.—The matrimonial regime of the spouses is determined by the law to which

it was their intention to subject themselves, and this intention can only be appreciated according to the circumstances of the marriage.

Example.—A British subject residing in France has married a Frenchwoman before a British Consul ; in subsequent declarations the spouses have claimed to be domiciled in England ; it is to be presumed that their intention was to follow British matrimonial law, although having always lived in France since their marriage and the husband died there.

Division of the state as basis of taxation.—Death duty must be fixed in accordance with the sums distributed to each heir on division of the estate previous to the declaration.

In case of a division subsequent to the declaration the division has a retroactive effect as from the opening of the estate.

Deductions others than hereditary liabilities.—May be deducted from the estate for the fixing of the Tax, the sums of money or the personal property which without being assimilable to an hereditary liability, have been legally withdrawn from the patrimony of the deceased through a gift before death or by legacy.

Liabilities which may be deducted.—Liabilities which necessitate for their liquidation a withdrawal of an amount of money or securities from the assets of the estate come under this category.

Proofs of the hereditary liabilities. Liabilities must be proved by documents having the force of legal proof against the deceased such as notarial deeds or contracts deposited with a notary, judgments or judicial deeds, administrative deeds, letters addressed to a person in whose favour the signatory intends to bind himself or to a third party entrusted with the delivery to the principal : commercial books and ledgers etc...

It is to be understood that all the above mentioned documents must be prior to the date of the decease.

1. **Opening of a credit.**—The document relating to the opening of a credit in favour of the deceased is considered as final proof whether the document made under private seal or drawn up before

a notary, provided it is supported by documentary evidence that the credit has been utilised partially or in full and that deduction may only be made to the extent of the amount of credit actually utilised according to the evidence available.

It is however to be noted that if the maximum of the credit has been reached and if time limit for repayment has expired by more than 3 months before the opening of the estate, the liability resulting therefrom is no longer deductible.

2. **Current accounts with a Bank showing a debit balance.**— The deduction of the balance may be authorised upon production of a certified copy of the Bank's Books in case the deceased were a trader or merchant. On the contrary, if the deceased were not a trader or merchant, this deduction could not be made against a mere statement of account unless the document is corroborated by a judgment ordering the heirs to pay the debit balance of the deceased at the time of his death.

3. **Cheques drawn by the deceased on a Bank.**—A cheque, drawn on a Bank by the deceased whether he were a merchant or otherwise and in whose favour an overdraft had been sanctioned, if it is supported by a declaration of the Bank and by the correspondence exchanged, tends to prove the existence of his liability towards the Bank.

4. **Promissory notes. Bills of Exchange.**—Promissory notes signed by a merchant serve as basis for a claim for deduction as a liability of the estate, provided they are supported by an attestation of the creditor, should the due date of the bills or notes be more than 3 months to the date of opening of the estate.

With regard to a bill of exchange drawn on the deceased, it must be accepted by him to be accepted as evidence ; the attestation of the creditor is likewise required should the due date be more than 3 months prior to the opening of the Estate.

5. **Compulsory account books of the deceased.**—These books may be used as evidence in support of a claim for deduction of a commercial liability ; this also applies to the compulsory account book of the creditors of the deceased.

The documentary evidence furnished by the heirs is returned to them together with the receipt for payment of duties.

Liabilities not deductible :

1. Debts due for over 3 months prior to the opening of the Estate.
2. Liabilities accepted by the deceased in favour of his heirs or intermediaries for them. These debts are regarded as fictions. Here the word "heirs" refers to the heirs, legatees or successors and to the beneficiaries of bequests maturing at death of the donor. As it has been judged by the Superior Court of Appeal, the intermediary persons comprise the father and mother, children or descendants, the spouse of the heir, the donee or the legatee as well as his children born of another marriage and the relatives of whom the heir is himself the presumed heir. However, should the debt have been recognised by a notarial deed or by a deed drawn under private seal and having a definite and indispensable date (i.e. confirmed by Registration or otherwise) prior to the opening of the estate, other than by the death of one of the parties thereto, the heirs, donees, legatees and persons regarded as being "intermédiaires" have the right to prove the authenticity of this liability and its existence at the date of opening of the estate.
3. Liabilities recognised by will. The law refuses the deduction of liabilities recognised by the deceased in his will, and also does not give the heirs the right to produce documents proving the contrary in face of the presumption of the fictitiousness of the debt in this case. This presumption is incontestable and is therefore an insurmountable obstruction to the deduction of the above mentioned liabilities.
4. Mortgage liabilities guaranteed by a mortgage which has expired for more than 3 months, mortgages if not renewed lapse after 10 years from the date of their inscription, unless the liability has not fallen due and its existence is certified by the creditor.
5. Liabilities contracted abroad. Liabilities resulting from authentic claims or from judgments rendered abroad are only deductible in case the deeds or judgments have been made executable in France, by virtue of a judgment of exequatur rendered by a French Court prior to the declaration of estate.

As regards bills or recognition of debts (I. O. U.'s) under hand or private seal and signed by French citizens abroad, the deduction in support of which they are produced may be claimed under the same conditions as if they had been made out in France.

With reference to Foreigners, the law only considers as deductible the liabilities contracted in France and towards French citizens or towards Companies or Foreign Firms having a branch in France. The whole portion of the liabilities of the estate created abroad may not be deducted. Even when contracted in France the liabilities of the deceased cease to be deductible if the creditor be a Foreigner.

Liabilities in capital and interest which have become statute barred ; unless it can be proved that the time limit has been extended through subsequent acts (recognition, judgment, etc.).

Estate of a Foreigner domiciled in France.—Debts contracted by these Foreigners by deeds drawn up by a French notary, if towards a Foreigner or a Foreign Company having no Branch in France, are not deductible even should the deceased be domiciled in France.

SECTION VI.

Rate of Death Duties.

As already stated in the beginning of this chapter, property which changes hands by reason of decease is subject to two separate taxes, which, however, are both on a progressive scale.

I. Death Duty.—This duty which was formerly proportional to the total of the property or values comprised in the estate has been altered to a progressive tax on the net share received by each heir and increased according to :—

1. The value of this share ;
2. The degree of relationship ;
3. The dependents on the heirs.

We give opposite a Table showing death duties as fixed by the law of the 3rd of August 1926, and which apply to estates which have been opened since the 1st of January 1927.

Share of the estate	Division of each share	Direct Lineal Descendants		
		1st degree	2nd degree & between husband & wife	Beyond the 2nd degree
1st portion Fcs. 10,000 and under	On the whole portion. . .	2.50%	3%	3.50%
2nd portion from Fcs. 10,000 to ,, 50,000	For the first Fcs. 10,000 . For the remainder	250 3.50%	300 4%	350 4.50%
3rd portion from Fcs. 50,000 to ,, 100,000	For the first Fcs. 50,000 . For the remainder	1.650 4.50%	1.900 5%	2.150 5.50%
4th portion from Fcs. 100,000 to ,, 250,000	For the first Fcs. 100,000 For the remainder	3.900 5.50%	4.400 6%	4.900 6.50%
5th portion from Fcs. 250,000 to ,, 500,000	For the first Fcs. 250,000 For the remainder	12.150 6.50%	13.400 7%	14.650 7.50%
6th portion from Fcs. 500,001 to ,, 1,000,000	For the first Fcs. 500,000 For the remainder	28.400 7.50%	30.900 8%	33.400 8.50%
7th portion from Fcs. 1,000,001 to ,, 2,000,000	For the first Fcs. 1,000,000 . For the remainder	65.900 8.50%	70.900 9%	75.900 9.50%
8th portion from Fcs. 2,000,001 to ,, 5,000,000	For the first Fcs. 2,000,000 . For the remainder	150.900 9.50%	160.900 10%	170.900 10.50%
9th portion from Fcs. 5,000,000 to ,, 10,000,000	For the first Fcs. 5,000,000 . For the remainder	435.900 10.50%	460.900 11%	485.900 11.50%
10th portion from Fcs. 10,000,000 to ,, 50,000,000	For the first Fcs. 10,000,000 For the remainder	960.900 11.50%	1.010.900 12%	1.060.900 12.50%
11th portion above Fcs. 50,000,000	For the first Fcs. 50,000,000 For the remainder	5.560.900 12.50%	5.810.900 13%	6.060.900 13.50%

Direct lineal Ascendants		Brothers & sisters	Uncles & aunts Nephews & nieces	Great uncles & aunts Great nephews & nieces 1st cousins	Beyond the 4th degree & persons not related
1st degree	2nd degree & beyond				
4%	4.50%	12%	17%	22%	27%
400 5%	450 5.50%	1.200 14%	1.700 19%	2.200 24%	2,700 29%
2.400 6%	2.650 6.50%	6.800 16%	9.300 21%	11.800 26%	14.300 31%
5.400 7%	5.900 7.50%	14.800 18%	19.800 23%	24.800 28%	29.800 33%
15.900 8%	17.150 8.50%	41.800 20%	54.300 25%	66.800 30%	79.300 35%
35.900 9%	38.400 9.50%	91.800 22%	116.800 27%	141.800 32%	166.800 37%
80.900 10%	85.900 10.50%	201.800 24%	251.800 29%	301.800 34%	351.800 39%
180.900 11%	190.900 11.50%	441.800 26%	541.900 31%	641.800 36%	741.800 41%
510.900 12%	535.900 12.50%	1.221.800 28%	1.471.800 33%	1.721.800 38%	1.971.800 43%
1.110.900 13%	1.160.900 13.50%	2.621.800 30%	3.121.800 35%	3.621.800 40%	4.121.800 45%
6.310.900 14%	6.560.900 14.50%	14.621.800 32%	17.121.800 37%	19.621.800 42%	22.121.800 47%

TARIFF FOR THE CALCULATIONS OF DEATH DUTIES

(To the result obtained by means of this tariff, 2 tenths (20%) must be added. Law of 22-3-1924, art. 3)

Example : To calculate the duty in direct line of the 1st degree on a share of Fcs. 125,000. Taking the 4th position comprising this figure, the total of the first section (Fcs. 100,000) is. . . . . Fcs. 3,900
The duty on the remainder of Fcs. 25,000 at 5.50% is. . . . . ,, 1,375

Fcs. 5,275
2 tenths . . . . . ,, 1,955

Total due. . . . . Fcs. 6,330

Death duty is not calculated on the total assets of the succession, but on the net share received by each heir in the net assets of the succession. As already stated, the net assets represent the balance available after settlement of the community between the husband and wife, the payment of legacies and the deduction of liabilities of the estate. The net assets thus ascertained are shared between the persons entitled thereto in proportion to their respective rights. The net share thus distributed is the basis for the calculation of death duties.

Deduction of Succession Duty :

Before applying death duty, succession duty (which we shall deal with later on) must be deducted whenever payable from the net share of each heir.

Rounding up of amounts :

When the net share does not exceed Frs. 500.—the amount thereof must be rounded up to the nearest franc. If above Frs. 500.—the amount must be rounded up to the nearest Frs. 20.—or multiple. This rule is also applicable to the succession duty.

Reductions for Dependents :

1. When the heir has four or more children living at the time of the opening of the succession, the duties payable are reduced by 10 % for each child in excess of the one third. The reduction, however, may not exceed Frs : 2.000 per child and the total reduction may not exceed 50 % of the total duty. In addition to children living at the commencement of the succession, children who were killed in the war or who died as a direct consequence thereof may be included.

2. When the deceased leaves four children either living or represented, the heirs are not liable for succession duty and furthermore, the law allows in this case a deduction of 10 % per child in excess of the one fourth from the total net assets. In order to calculte death duties the deduction, however, may not exceed Frs : 15.000 per child.

In addition to the children living or represented, the following may be included :

1. Children who have died after attaining the age of 16 years.
2. Children, who although not having attained the age of 16 years, have died as a consequence of the war.

These two deductions only apply to the calculation of death duties and do not affect the calculation of the succession duty.

Special Cases :

1. **Legacies to persons mutilated in the war.** Gifts and legacies to persons wounded in the war, incapacitated to the extent of at least 50 %, profit by a special tariff of 10,8 % up to the first Frs. : 100,000.

2. **Legacies made to communes or departments for the purpose of charity, public benefit or instruction, etc.** also benefit by the special rate of 10.80 % for the full amount thus bequeathed.

   Legacies made to departments, communes and public establishments, but not for the purpose of the objects mentioned above, also benefit by a special tariff which varies between 21,6 and 34.8 % according to the value of the bequests.

3. **Assets devolving upon grandchildren in consequence of the previous decease of their father or mother killed in the war or dead as a direct consequence thereof.** In this case the grandchildren, who are in the second degree of relationship to their grandparents, only pay duty according to the tariff applicable for relatives of the first degree.

4. **Small hereditary shares in estates which do not amount to more than Frs : 25.000.**

   Net shares which do not exceed Frs : 10,000 in estates not exceeding Frs : 25.000 in value are taxable according to the following tariff.

Indication of degree of relationship.	From 1 franc to 2,000 frs.	From 2,001 frs. to 10,000 frs.
	Frs. per cent	Frs. per cent
1. Direct line of first degree .	1.20	1.80
2. Direct line of 2nd degree and between spouses . . .	1.80	2.40
3. Direct line beyond 2nd degree	2.40	3.00
4. Between brothers and sisters	12.00	12.90
5. Between uncles or aunts and nephews or nieces . . .	14.40	15.60
6. Between great uncles or great aunts, grand nephews or grand nieces and between first cousins . . .	18.00	19.20
7. Between relatives beyond the 4th degree and between unrelated persons .	21.60	22.80

II. Succession Duty.

In all successions in which the deceased does not leave 4 children, either living or represented, a progressive tax on the net total capital of the estate is due in addition to the death duties. This tax is a super-imposition with the object of putting heavier charges on bequests in small families.

In contrast to the death duties, succession duty does not depend upon the degree of relationship and is not payable on the hereditary share, but on successive portions of the net total capital of the succession. The existing tariff for succession duty is given hereunder.

Rate applicable to the fraction included between	Number of children left by the deceased			
	3 child. living or repre-sented	2 child. living or repre-sented	1 child. living or repre-sented	No child. living or repre-sented
Francs	%	%	%	%
1 à 2,000.	0.30	0.60	1.20	3.60
2,001 à 10,000.	0.60	1.20	2.40	7.20
10,001 à 50,000	0.90	1.80	3.60	10.80
50,001 à 100,000.	1.20	2.40	4.80	14.40
100,001 à 250,000	1.50	3.00	6.00	18.00
250,001 à 500,000	1.80	4.20	7.80	21.60
500,001 à 1 million . . .	2.70	5.10	9.60	25.20
1,000,001 à 2 millions . .	3.84	7.20	14.40	28.80
2,000,001 à 5 millions. . .	4.32	8.10	16.20	32.40
5,000,001 à 10 millions . .	4.80	9.00	18.00	36.00
10,000,001 à 50 millions. .	5.28	9.90	19.80	39.60
50,000,001 à 100 millions .	5.76	10.80	21.60	43.20
100,000,001 à 500 millions.	6.60	12.00	24.00	44.40
Over 500 millions	9.00	14.40	25.20	46.80

In addition to the number of children living or represented the following may be included.

1. Children who have died after having attained the age of 16 years.
2. Children who, although not having attained the age of 16 years, were killed in the war or died as a direct consequence thereof.

For succession duty no deduction may be made should the heir have 4 or more children, or should the deceased leave more than 4 children, nor is there any special tariff for estates of not more than Frs : 25.000 in value.

Legacies in favour of Communes, Departments and other Public Establishments are not liable to succession duty.

III. Maximum Duty.—Before the law of the 3rd of August 1926 the application of the tariff then existing resulted in the absorption of almost the whole of the estate in favour of the State in cases where the beneficiaries were not related to the deceased. The law of the 3rd of August 1926 has remedied this and has fixed the following maximum.

The total fraction representing succession duty or death duty, payable by an heir, must not exceed :

a) 25 % in direct line, or between husband and wife ;

b) 35 % in collateral relationship ;

c) 40 % between relatives of more than the fourth degree or between unrelated persons.

SECTION VII.

Contraventions and Penalties.

1. Estates not declared within the prescribed period.

The heirs, beneficiaries or legatees who have not made the declaration of the property reverting to them through decease within the legal time limit (six months from the date of death if the death occurred in France, eight months if death took place in any other part of Europe : Algeria, Tunisia, or Morocco, and one year if death occurred elsewhere) are liable to a fine of 1-1/2 % per month, or fraction thereof, of delay, reckoned on the duty which is payable. This is however reduced to 1/2 % for the first month and to 1 % for each of the next five months. As "tenths" have to be added, these fines actually amount to 0.625 % for the first month, 1.25 % for the next five months. The maximum is 12.5 %. The fine cannot in any case exceed one half of the simple duty payable.

Joint-liability of the heirs.

The heirs are jointly liable for the payment of the fine for delay. Nevertheless, by application of the principle of individuality of

punishment, should one of the persons liable to a fine die, his share of the fine cannot be claimed from *his* heirs but must be paid by the surviving heirs originally liable, who may not deduct from the amount of the fine the share due by the deceased heir.

Heirs of Foreign nationality.

With regard to the payment of the fine no distinction is to be made between heirs because of their nationality, whether French or foreign.

Plea of "good faith".

The plea of "bona fides" has no influence on the liability to the fine, but may be taken into consideration if a petition is made for reduction or cancellation of the fine.

Petition for remission or reduction of fines. Conditions required.

If the delay in making the declaration has been caused by circumstances beyond the control of the heirs, they may make a petition for the remission of the fine, which is often granted.

In order that the petition may be considered, the heirs must attach thereto the final declaration of inheritance followed by the prescribed declaration. (See next paragraph.)

2. **Omissions or insufficiency in the declarations.**

Omissions : The fact of a taxpayer omitting to declare one or several items of the taxable assets, whether intentionally or otherwise, constitutes an omission.

For omissions the penalty is equal to the tax due on the omitted items.

The omission thus defined does not imply the idea of fraudulent dissimulation, as this omission cannot be excused by a protest of "good faith", but the penalty is heavier in case of fraud. The penalty then equals twice the amount of the duty which the taxpayer

tried to avoid. Furthermore the law has prescribed for a limited number of cases the following penalties :

If with a view to avoiding the duty, the taxpayer claimed the deduction of a non existent liability, the penalty equals three times the tax due with a minimum of 750 frs. The pretended creditor who falsely certified the existence of the liability is jointly held responsible for the payment of the penalty and must pay one third of the fine.

If the declaration gives a false statement as regards the degree in relationship in order to reduce the percentage of the death duty, or a wrong number of children of the deceased in order to modify the amount of the inheritance tax or else a wrong number of children of the heir in view of obtaining a reduction of duty, the penalty equals twice the amount of the tax which the taxpayer tried to avoid.

A fine equal the tax is due in case of a false statement of the age of the usufructuary.

Insufficiency : The fact of a taxpayer declaring an item at less that its actual value constitutes an "insufficiency".

The law makes a distinction between personal property and real estate.

In case of personal property the value of which is known by means of an estimate contained in a deed made prior to the declaration, any insufficiency exceeding 10 % of their value incurs a fine equal to the tax due. Should the value given to this property result from a deed or document subsequent to the declaration, the tax is only due on the difference in the estimate in case the difference does not exceed 10 %.

As regards real property ; the insufficiency must be of at least 1/8th of their value, before a fine is incurred.

The penalty gives rise to an additional single tax in case the estimate has been agreed upon by mutual consent, but is doubled in case it is necessary to have an estimate made by an expert, should the latter decide against the person making the declaration. Moreover the expenses must be borne by the latter.

3. **Declarations and fraudulent practices.**

Declarations of succession must always be attached. The heirs must write in their own handwriting an attestation that their statements are sincere and true, and that they make this attestation in full cognisance of the penalties imposed by the law.

The law has extended the prescriptions of article 366 of the Penal Code re. perjury in civil affairs to include fraudulent declarations of the heirs, namely imprisonment from 1 to 5 years, a fine of Frs. : 100 to 3,000 and in certain cases deprivation of civic, civil and family rights for a period of not less than 5 and not more than 10 years.

Fraud cannot be presumed, and a fraudulent intention, e.g. the "mala fides" of the declarant must be proved.

If the declaration has been made by one only of the heirs, or by a mandatory for them, this mandatory and the other joint heirs are liable to the punishment mentioned above if it is proved that they were aware of the fraudulent character of the declaration, unless within six months after discovering the fraud they complete and rectify the declaration.

SECTION VIII.

Surveys by experts. Means of verification.

Investigation and report by experts.—This procedure is only authorised in case of an insufficiency in the valuation of real estate and of a business.

The survey may only be made at the request of the authorities and not at the request of the taxpayer, nor may it be ordered officially by the Court.

In case no amicable arrangement can be reached it must be noted that conciliation is not permissible as regards the valuation

of a business or its goodwill. Fiscal authorities request the Civil Court for the district where the property is situated to appoint a State Expert. The survey must be ordered within ten days following the demand, and is made by three experts exempted from making oath, one of whom must be appointed by the Court. In case of the party refusing to appoint an expert after a summons has been made to him to do so within three days, an expert will be appointed by a judgment against which no appeal can be made. Only one report is drawn up by the experts.

In case the value of the real estate is declared as not exceeding Frs. : 10,000, the survey is made by one expert only appointed by common consent between all parties, or in case of non-agreement, the appointment is made by the President of the Court upon demand.

Time limit.—No proceedings with a view to having an expert survey made can be commenced after two years from the date of declaration of estate.

Obligations of custodians or holders of hereditary securities.

Companies or firms, stock brokers, bankers, discounters, public and law officers or counsels acting as custodians, holders of or debtors for securities, sums or personal property dependent upon an estate, and which they know to be open shall furnish the Director of the Enregistrement of their district with a list of this property, sums or securities either before payment, remittance or transfer thereof or within the fortnight following the transactions. A receipt is delivered. These lists are made out on forms supplied by the Enregistrement.

The foregoing enumeration is restrictive and the above cases do not include securities or sums of money deposited with private persons.

Special regulations regarding heirs domiciled abroad.—In case of the heirs being domiciled abroad, the holders of the securities and personal property belonging to the Estate may only release the funds, etc. against a certificate delivered by the tax collector attesting either the payment of the duties or confirming that death duties are not payable.

Transfer of nominative securities. Preliminary justification.—The transfer on the books of the Treasury of Government stock or Rente resulting from the death of the holders, can only be effected upon presentation of a certificate delivered by the Tax Collector as evidence of the payment of death duty. The same regulations apply to transfers or conversions of nominative securities of compagnies, departments (Départements) communes and public institutions.

Sums, pensions or annuities due by Life Insurance Societies.

Before paying any sums, pensions or annuities due upon the death of the assured to beneficiaries others than the surviving spouse or to persons in direct ascending or descending line entitled to inherit, Insurance companies must either obtain production of a certificate delivered by the Tax Collector proving the payment of, or exemption from death duty, or retain an amount equal to the duty due, on the sum payable by the Company pending production of the certificate.

SECTION IX.

Payment of death duties.—Law suits. Statutes of limitation.

Renunciation of the persons entitled to inherit :

The heirs, legatees or donees may only be released from liability to payment of death duty by definitely and without fraud renouncing the estate or bequest. Otherwise the Fiscal authorities may by legal means recover the tax from the heirs, if necessary by distraint etc. on their personal property, in addition to their share in the estate.

Privilege of the Treasury on the income on property subject to declaration :

In order to recover death duty, the Authorities have a direct action against the heirs on the income of the property subject to declaration, it being immaterial in whose hands the property may be. This privilege granted to the authorities excludes all other claims which are not covered by a preferential privilege.

On the other hand, it has been judged that the Authorities have no privilege on hereditary securities nor a right of preference on real and personal capital of the estate and that their right of action applies exclusively to the income of the property subject to declaration.

Proceedings and law suits :

The Treasury issues a distraint against which the taxpayer must make an opposition. This opposition containing motives must be notified to the Administration and a summons issued to appear before the Civil Court of the district in which the Office issuing the distraint is situated.

The judgment rendered is not liable to appeal, but can only be revised by the High Court of Appeal (Cour de Cassation).

Restitution of Duty :

In order to obtain a refund, the applicants must establish by indubitable proofs the error in fact or in law made to their disadvantage, or the event which by its retroactive effect has been the cause of the duties previously paid by them.

Foreign securities belonging to an estate not governed by French law :

Death duties paid upon Foreign Public debentures belonging to an estate governed by French law can be refunded provided that it is proved that the deceased was not domiciled in France, either in law nor in fact, and that consequently the estate was not governed by French law.

This also applies to duties due on a business carried on abroad by the deceased.

Debit balance of the deceased with a bank :

The heirs who omitted to claim the deduction of the debit balance of a private advance account opened in the name of the deceased (if a non-trader) with a bank may subsequently claim the refund of the duties paid in excess provided that the debit balance is proved by original letters written by the deceased confirming the accuracy of the statements of account supplied by the bank, and especially the one prior to the death.

Compensation between duties paid in excess and amounts due through omission to collect :

It has been judged that in a case where the Tax authorities when liquidating death duties had owing to material errors collected duties on property exempted from taxation and on the other hand in the same estate have collected insufficient duty on taxable property, the two actions resulting therefrom, one claiming refund of duty in favour of the heirs, and the other claiming payment of supplementary tax in favour of the Treasury form mutal set-offs which settle one another by way of compensation.

Application for refund. Persons qualified :

It is the parties i.e. the persons who are personally responsible according to the law for payment of the duty, or against whom action may be taken by the exchequer, who have the right to apply for refund of duties which they may have paid in excess.

Summons for refund :

The summons must be notified to the representative of the Fiscal authorities qualified to receive it i.e. in Paris the General Director of the Registry Office, at the Ministry of Finance ;—in Departments others than the "Seine", the summons must be addressed to the Director of Enregistrement for the department, and to no other official, not even the official who collected the duty. If the notification of the summons by "huissier" is omitted, the summons becomes null and void.

The claim can only be brought before the Court for the district in which the office which collected the duty is situated.

The Fiscal authorities cannot be compelled to pay interest on the sums which the Court has ordered them to refund.

Time Limits.—Action of the Treasury regarding payment of the duty :

The right to take action lapses :

1. Two years as from the date of the declaration in the case of a false declaration of the mercenary value.

2. Two years as from the date of the declaration for ascertaining by means of an expert survey any insufficiency in the estimated value of real and personal property for the purpose of assessing the amount of the progressive duty.

3. Five years as from the opening of the estate for any claim regarding the securities, personal or real property of which the deceased was life-tenant, the bare ownership reverting to one of the heirs, legatees or donees.

4. Ten years as from the date of declaration of the estate in the case of duties or fines due owing to incorrect attestations or false declarations of a debt.

5. Twenty years as from the day of registration in the case of omission of property from the declaration.

6. Twenty years as from the day of the death in the case of non declared estates.

7. Twenty years as from the declaration of estate in the case of ordinary and additional duties due owing to an incorrect declaration of relationship between the deceased and the donees, heirs or legatees, or for any incorrect statement of the number of children of the deceased, the heirs, the donee or the legatee.

8. After thirty years for death duties on Government stock, etc. and the penalties incurred owing to delay or non declaration of such stocks or debentures.

Proceedings before a "correctional tribunal" against people who have made fraudulent declarations must be commenced within three years following the declaration.

Action for refund :

The right of action lapses after two years from the date of payment of ordinary duty, additional charges and penalties.

Interruption of time limit :

The above mentioned time limits may be "interrupted" by applications made and registered before the expiry of the delay and provided the proceedings are not suspended for a year.

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